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Environment officials kept in dark about urea plant

NATURAL Gas Corporation executives last week were finalising the purchase of the $85 million ammonia urea plant for Kapuni. Environmentalists, meantime, were involved in a last ditch effort to persuade the Government to come clean with environmental, financial and marketing details.

The Environment and Conservation Organisations of New Zealand has been quizzing Cabinet ministers and other energy officials since the beginning of the year, in an effort to establish both the value of the plant to the country, and the possible environmental effects.

As recently as a fortnight ago, Environment Minister Venn Young was apparently unable to tell it how the 158 tonnes of daily production would affect the country's grasslands economy.

Neither was anyone able to say how the development would relate to an orderly and well-planned development of the Maui gas resource.

Many energy people have been privately asking: "How long has the purchase of the plant occupied the minds of the small group of public servants?"

NBR has learnt that, for more than a year, at least one senior energy official has been actively pursuing purchase of the plant.

In that time, no information relating to the issues at the centre of the selection of the plant has been made public.

During at least two meetings in Taranaki, details of the plant were kept secret, following a request from the Natural Gas Corporation (see NBR, December 20).

Even the Commission for the Environment has been kept in the dark. Acting commissioner John Wendlckin told us: "We discovered the scheme when there was a change in plans for the Oanui to Kapuni gas line."

Politicians have been quick to point out that the forthcoming town planning hearings at the Waimate West County Council will provide all the necessary information.

What they haven't said is that the Waimate West town planners have been provided with a consultant . . . retained by the Ministry of Works on behalf of the Natural Gas Corporation, to provide the basis of the case which will be put before the town planners!

Little has been heard from the Commission for the Environment since the Government turned down its request for a full environmental impact report for the scheme.

But on January 17, a letter was sent to the Natural Gas Corporation outlining environmental guidelines for the complex. A copy of the letter was sent to the Waimate West County Council.

In that letter, acting commissioner Wendlckin says: "As the commission has only very recently become involved with this project, in an auxiliary capacity, on environmental aspects, many of the details of the proposal are still not known to us. Thus, these guidelines are generalised, and relate to the sorts of impacts that need to be anticipated for such industrial complexes in general. The commission does not yet have specific environmental guidelines for planning, developing and operating Maui gas-based industries."

For those who look to free and frank discussions on the State's involvement in our energy future, the commission's environmental guidelines promise a forum for debate, even though there is the possibility that parts of the plant will have been landed at Port Taranaki during the discussion.

More importantly, the Waimate West County Council has been told, albeit belatedly, those questions that should be asked during the town planning hearings. The council's manager Jack Dennett told us: "The council will be adhering *to the commissions'* guidelines throughout the hearings."

Inside

Import licensing: more calls for relaxation

by Colin James

THE Planning Council has added a cautious and qualified voice to the growing clamour for relaxation of import licensing — and without provoking open disagreement by its manufacturer member, Ron Guthrie of McSkimming Industries.

Chairman Frank Holmes said last week on the release of the council's Economic Strategy, 1979 that while Guthrie had had reservations — preferring a greater emphasis on import substitution than the council would agree to — he had gone along with the report, though it was open to him to issue a dissenting minority report.

In a section headed "promoting a more effective and competitive economy", the council said that a devaluation (or alternative measures designed to promote exchange saving), coupled with the tariff revision last year, would help protect industry.

"These circumstances would make it both opportune and desirable to effect a significant liberalisation of quantitative restrictions on imports into New Zealand," the council said.

"It is of vital importance that more New Zealand enterprises become internationally competitive.

"To this end, the emphasis in industrial policy should shift towards assistance to enterprises to improve their productivity and contain costs and away from techniques which lead to wasteful use of resources and cost-plus attitudes in business.

RON GUTHRIE . . . went along with report

SIR FRANK HOLMES . . .

"This means giving protection on a less discriminatory and more moderate basis, while at the same time bringing in measures which will enable more enterprises to thrive in the less protected environment.

"These aims would be furthered, not only by the liberalisation of import licensing, but also by faster progress towards freeing of trade and rationalisation of development with Australia under NAFTA, if this could be negotiated.

"The changes should be phased in to facilitate planned adjustment to the more liberal regime by enterprises which have been relying heavily on import licensing for protection or which are engaged in activities which could not be profitably sustained in freer competition with Australia," the council said.

Anti-dumping and emergency protection measures would also be necessary.

And there should be an accent on positive industrial assistance by the Government — such as resettlement and retraining assistance, investment allowances and stimulation of research and development.

Nervous manufacturers might also take hope from the cautious saver on devaluation. The devaluation debate is by no means over in official circles, the Treasury being reported as against it.

But the decision is Finance Minister Robert Muldoon's — and he has carefully left that door open.

• See Economics Correspondent, page 7, on the council and Government expenditure;

• And P V O'Brien, page 10 advancing an alternative economic strategy.

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Is it time yet for a Minister of Labour?

by Colin James

THE vast mass of unionists, he (Mr Muldoon) claimed, would be in favour of the National Party's policies, especially those involving a secret ballot on the question of voluntary unionism. — The New Zealand Herald of July 10, 1975.

On the evidence so far, the vast mass of unionists is anything but in favour of secret ballots on voluntary unionism. The said mass is conservative. It has become accustomed to compulsory unionism, which it has had to live with since 1936.

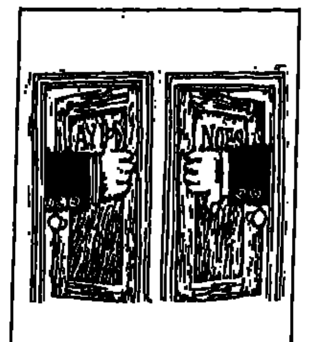
This became rapidly clear to Peter Gordon while he was in the labour chair. He dragged the chain about getting ballots under way.

By August last year he was talking privately of getting the then pending ballots out of the way and bringing down a softer policy for the election.

As usually happens to Ministers of Labour, he absorbed some of the realities of industrial relations, including the near-unanimous agreement among academics and practitioners — bureaucrats, unionists and employers — that compulsory unionism was more comfortable.

The New Zealand industrial relations system often seems chaotic, a mass of antagonistic strikes.

But in fact it rests on the principle of comfort — a well-settled system of relativities which means that basic wage rates are effectively set by the first main trade award in August or September; a solicitous state apparatus which enforces awards; state-enforced compulsory union membership which avoids the rough stuff that comes with closed shops.


POLITICS

The disruptive aspect occurs when someone wants to break new ground — an out-of-kilter pay rate, a new allowance or an employer trying to stop a labour practice (like pilfering).

Stirring the pot about unionism comes into that class. It disturbs the peace.

But National's white knights had a principle affixed to their standard. What is a bit of discomfort when you can win a principle — especially when the principle is as democratically unimpeachable as "freedom of association", or in this case "freedom of dissociation"?

It did not seem to matter to the white knights of principle that some of the methods were questionable. The legislation they passed was described by Noel Woods — a former Secretary of Labour and one of the country's most experienced industrial relations experts — as "about the worst of the worst".

As he pointed out, the law gave the Minister of Labour and the registrar of unions absolute discretionary powers over the makeup of a voting roll for the ballots and counting of votes, without opportunities for scrutineering. And the minister could impose a ballot without giving any reason.

Not unnaturally, in view of the degree to which the Government was disturbing the peace in insisting on the ballots, the ballots began to run into union obstructionism. The Government then took two new powers.

One was the power to declare a union voluntary if it did not produce a voting roll within 60 days. Within 60 days of passing the amendment (which in effect made the legislation retrospective), the Government declared the Clerical Workers Union voluntary.

The other adopted something of a guilty-till-proved-innocent approach, making all unions voluntary by banning them from seeking or agreeing to an unqualified preference clause (the compulsory union clause) in awards after April 1, this year, unless they first held a ballot on the matter. This is section 175A, drafted in a matter of hours and riddled with obscurities.

Overkill, yes. But an election was coming up and a Government with a poor strike record to explain wanted scalps. Bill Andersen and his ilk were keeping their heads out of tomahawk range, so the clerical workers would do.

Some scalp. The union remains to all intents and purposes the same as it was. The membership has not exactly stampeded to freedom.


PETER GORDON . . . absorbed realities.


JIM BOLGER . . . wanted portfolio.

It is hard to think of a less union-minded bunch, at least among the big unions, than the clerical workers. If they don't go voluntary, who will? The shining principle of 1975 has been rapidly losing its allure.

Last year the Federation of Labour, with employer backing, and the affected unions made repeated attempts to persuade the Government to drop the state ballots. But even offers by unions to run their own ballots were dismissed.

As late as December 7 last year, the Government announced another five unions for the compulsory ballot.

The Prime Minister said at the time: "The Government's ballot scheme is not an attack upon compulsory unionism, but an attempt to ensure that the unqualified preference clause is not retained in an award or collective agreement unless all the persons to be bound by it have a chance to express their opinion and that the majority desire the retention of the clause."

Now either that attempt has been abandoned or the Government ballots were as unnecessary then as the Government seems to consider them now. The caucus — itself virtually a compulsory union based on the union principle of solidarity behind the majority decision —has bought an FOL suggestion to drop the Government ballots and rely on section 175A (the "ballot your members or no unqualified preference clause" amendment).

So, instead of expensive secret postal ballots, there will be hundreds of special meetings up and down the country, supervised in some as yet undefined way by the Labour Department, at which members will vote secretly for or against an unqualified preference clause in their award.

What is most likely to happen is that unions will notify their members of the special meetings through their journals. Special meetings do not draw many beyond the committed activists who will duly vote through the resolutions.

There might just be the odd "no" vote, but I expect that within a year or two not much will be left of the grandiose 1975 promises of voluntary unionism.

Of course, it has all happened before — in 1961. The Government thought then that it was giving the anti-unionists the chance to force the issue of compulsory unionism.

Not a single union or award went voluntary — at least, not to my knowledge. New Zealanders as a rule are not enticed to the barricades to battle for principles.

The pity is that the realisation of this simple, though unhappy, truth took so long to dawn on the Government.

The questionable methods the Government chose, particularly the declaration of the clerical workers voluntary during the election campaign, progressively tarnished Peter Gordon's honourable reputation, so much so that one might have expected someone less loyal to the party to have given it all up. He seemed constantly at odds with the Cabinet and the caucus.

One of his constituents who dined with him on a Friday night last year recalls him taking a schoolboyish delight in not having left a forwarding telephone number with the Prime Minister, who was apparently in the habit of ringing him in the mid-evening.

That trifling truancy, if such it was, is rather sad, but instructive. Jim Bolger, who wanted the Labour portfolio, has already had a taste of decisions being taken out of his hands.

How many more times over the coming months will Bolger refer reporters "to the author of the original report", as he did when TV One's Spencer Jolly asked him about the threat of wage controls if Bill Andersen's stationary engine-drivers did not call off their strikes against individual companies?

Which brings me back to the point where I came in: a Prime Ministerial bete noire. He is almost equally obsessed with Socialist Unity Party influence as he was with voluntary unionism.

It is that which gave political validity to the rumours (see page 2, NBR January 31) of a wage clamp even though the economic validity was debatable. (Success by Andersen might have beefed up next year's wage round.)

Whether the clamp was imposed is irrelevant. The threat alone, and the manner of its making, highlights the need for a Minister of Labour in charge of his portfolio.

Researching research

by Rae Mazengarb

THE National Research Advisory Council is trying to establish if the type of research and development carried out in New Zealand can be upgraded to help improve our export performance. And it hopes to change prevailing attitudes to research and development.

The council has circulated a discussion paper prepared by Victoria University's Professor T D C Cullwick. It has gone to more than 60 interested people and organisations.

NRAC says in a covering letter: "By encouraging discussion on the paper we hope to bring about a change in overall thinking about research in relation to marketing New Zealand products overseas, and to translate the paper's general recommendations into specific proposals for action."

Just how the council will bring about a change in attitudes is not clear. A spokesperson suggested that the council's role is merely advisory, but that the more publicity given to Cullwick's ideas, the more people will be influenced by them if they regard them as sensible.

Recipients of the paper will be asked to make comments about May. Replies will be channelled through various committees before the council forms a policy which can be sent directly to Science and Technology Minister Birch.

The council hopes to influence Government departments and Government-funded research associations to adopt research programmes which will satisfy marketing needs.

Those expected to comment include New Zealand Forest Products, Winstones, the trading banks, DFC, Dalgetys, the Manufacturers' Federation, Ministry of Agriculture and Fisheries, and the DSIR.

The thrust of Cullwick's paper is that the range of products exported from New Zealand and our marketing methods have changed substantially in recent years, but figures indicate there has been no corresponding change in the pattern of research and development.

For instance, agricultural-based products continue to play a dominant role in the export trade area, but manufactured exports have grown significantly and now contribute approximately one-quarter of export revenue. This growth has not been reflected in current research programmes.

The major source of research funding in New Zealand is the Government. NRAC recommends the nature and level of research policy.

Of the 1977-78 research allocation of $76.5 million, $32.5 million (42.5 per cent) was allocated to agricultural activities. A large proportion of that was concentrated before the farm gate.

In contrast, 5.6 per cent was allocated to manufacturing.

These percentages have remained relatively stable for the last six years.

In the manufacturing sector, commercial organisations make substantial research contributions — either directly, in terms of industry research, or indirectly, through imported technology.

In 1973-74, for example, the Government spent $2.3 million in research relating to the manufacturing sector, compared with $11.56 million spent by businesses themselves.

Cullwick suggests industry itself is currently spending $19.1 million. Against this background, he makes a number of recommendations.

Primarily, he recommends that "the overall allocation of research expenditure across sector areas be linked more specifically to export product trends and potential".

Cullwick suggests that industrial research and development surveys be further developed and information obtained on an annual basis.

Research priorities should be given to achieving improved understanding of the market systems, structure, and demand for export products — in particular, focusing on market opportunities for processed or manufactured products.

He recommends that incentives be formulated to encourage the growth of industrial R & D programmes so that they double in five years. Imported technology should also be actively encouraged, but particular emphasis placed on its appropriateness, transfer and integration.

Cullwick points out the benefits of small groups or venture teams working in areas such as industrial design, product development management of technology and adoption of innovations.

The paper emphasises inadequacies in the training of researchers and the need to develop manpower in this area.

Bigger budget load for carriers

CARRIERS are going to have to find a much bigger share of the budget for the country's roads this financial year, and the Government looks set to be the winner in the inevitable fight about who is to pay what.

The Government has set the National Roads Board's budget at $170 million for 1979-80, an increase of $10 million — or just over 6 per cent on this year's allocation.

But the carriers are going to be asked to find up to $26 million more as their assessed share of the country's roading bill. That means an increase in the amount of road user charges collected from the $44 million due in this financial year to about $70 million for fiscal 1979-80.

The carriers are likely to find few allies in the Cabinet ready to buck Treasury pressure to increase revenue as a way of cutting back the massive and mounting internal deficit.

Funds for the National Roads Board come from three areas — carriers, the private motorist, and the Government.

This year, it looks as though the first two will pick up the tab for roading, leaving the Government to get away with virtually nothing.

For the year ending this March the board's budget was: motor spirits, (millions) $101.00; heavy motor vehicles 48.0; mileage tax, 2.50; Consolidated Fund, 9.00; miscellaneous, 2.50; total 164.00. Loan redemption 4.00; total expenditure, 160.00

The loan redemption item relates to $4 million advanced by the Treasury against uncollected road user charges in the beginning of the year, and has since been repaid.

On the basis of a cost allocation study apportioning who should pay what as their share of the upkeep of the roads, carriers are liable for 42 per cent, or nearly $72 million.

They have been disputing this study as an accurate way of assessing charges, but Treasury is known to be keen to see them pay their full share. Apart from the extra revenue that would generate, it would also (in Treasury's view) stop the general taxpayer subsidising road cartage, and establish an equitable balance between the costs of road and rail transport. Getting both modes on a proper economic footing as far as true costs are concerned is one long-term aim of Government transport policy.

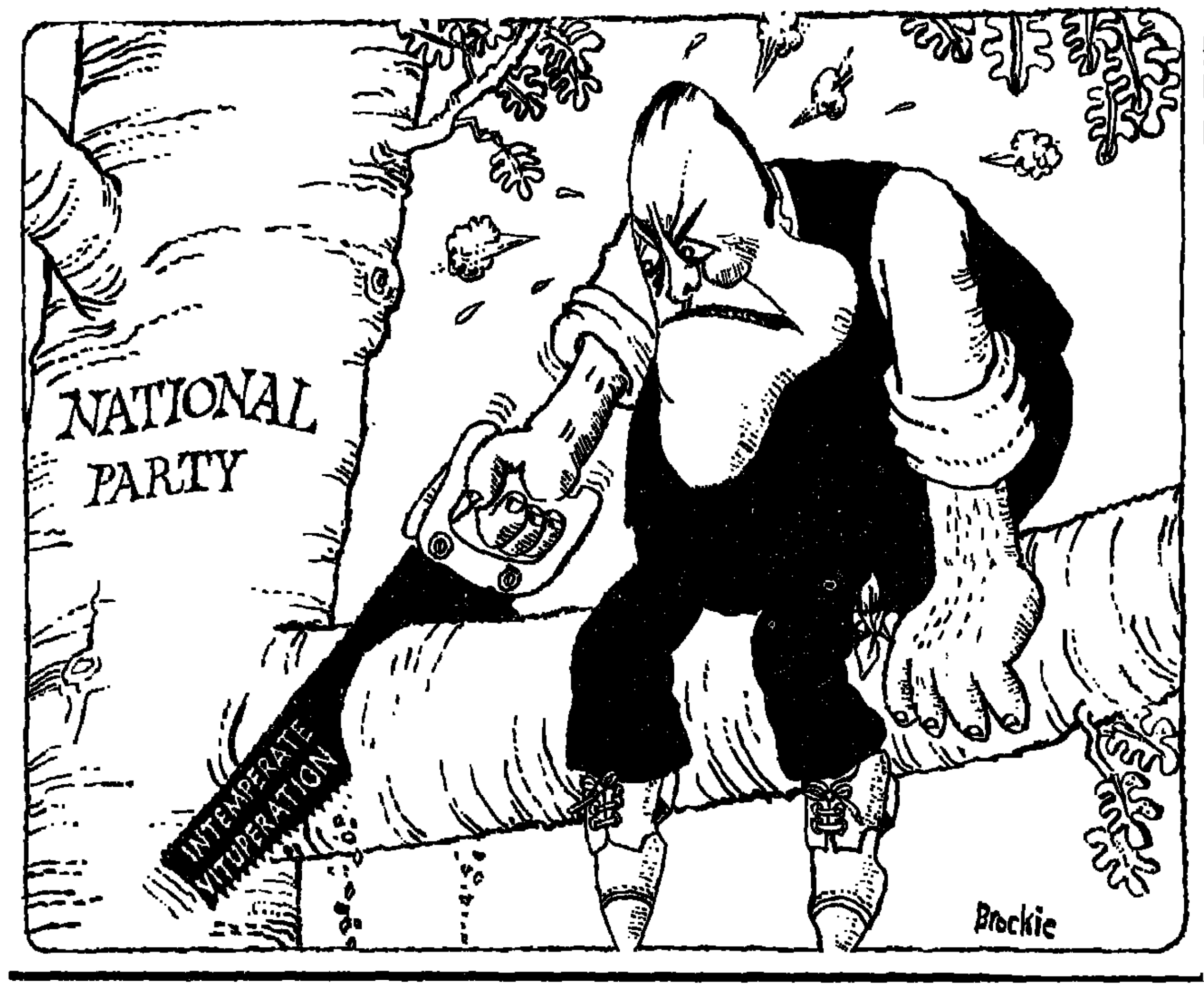
The Roads Board is not budgeting for any increase in income from petrol tax this year (despite a 2 per cent growth last year), so with carriers paying about $70 million out of a budget of $170 million, and assuming the other smaller items remain the same, the budget then looks like this: motor spirits, (millions) $99.00; heavy motor vehicles, 66.00; mileage tax, 2.50; miscellaneous, 2.50; total 170.00.

Not only has the Government saved at least $6 million in revenue from motor spirits (petrol tax), but it need not make a contribution from Government funds, thereby saving at least another $9 million.

Nor is the private motorist likely to see any benefit from the shift of petrol tax. It's not a reduction in the amount collected, merely a change in its distribution. That's sure to raise the ire of the Automobile Association, among others, whose policy has consistently opposed diversion of income from petrol tax away from the Roads Board into general Government coffers.

Government sources indicate, however, that Treasury is keen to dispel the belief that petrol tax is earmarked for roading funds. Instead, it plans to treat petrol tax as a balancing item in the board's books, advancing as much as is required to bring the board's revenue up to the $170 million figure set by Cabinet before Christmas.

So the upshot is likely to be that carriers pay more, and the Government gives itself some tax relief.



SOAPBOX: *a personal view by Reg Birchfield*

POLITICS is full of ironies, funny and otherwise.

The Prime Minister, on his back in hospital last week, must have reflected on the irony of the situation facing his personal and his Government's future at present, even if he gave only scant thought to the future of New Zealand as a whole.

You see, Muldoon's political future, just like the National Party's political future, is in the balance. The fulcrum on which it rests is the issue of "restructuring" New Zealand's economy. So far, the Government has done little more than pay lip service to the concept and only tampered with the mechanism governing change.

But like every major political event, the unfolding episode rests on one or two individuals, and that's what makes the business of politics so intriguing.

The present situation, however, must be put into an historical (recent) context.

A few weeks before last November's general election, it became increasingly evident to National Party organisers that the campaign was turning sour. The reason for the curdle centred on one man — the Prime Minister. His tart disregard for the rights of many groups was no longer the acquired taste of an increasing segment of the electorate.

Large groups of voters were forced to vote for the third-party alternative (Social Credit) because Muldoon had switched them off and was incapable of changing his attitude to reverse the process. Besides, he was probably aware of what he was doing, but gambled that he would still squeeze through on polling day without making any further electoral commitments.

What he perhaps didn't count on was the extent to which his defeat at the polls (moral if not real) would strengthen the hand of the reformers, liberals, call them what you like, in the National Party after the election.

Suddenly, younger anti-bureaucratic politicians were in the pecking order for cabinet posts, and outnumbering the reactionaries and Muldoon's centralist government supporters in caucus.

In choosing his new cabinet, the Prime Minister interpreted a now-more-powerful party's wishes — with one or two major exceptions. The party, in making it quite clear that it expected the leader of the Government to toe the line more in future, was generally satisfied. But leaving Lance Adams-Schneider as Minister of Trade and Industry and Colin McLachlan as Minister of Transport was not quite what it had in mind. Still, perhaps it could live with the decision.

With the selection over and new Ministers attending cabinet, reformers began to realise that the drop in Muldoon's power base presented an opportunity for real change — perhaps even a return to support for private enterprise. Certainly more effective economic measures were necessary.

The fact is, that although Muldoon is a politician of considerable strength, he has no stomach for radical thinking, particularly radical economic thinking. Even when New Zealand was obviously faced with radical problems — with one exception, the change in bank rates — he refused to accept radical solutions during his first three years in power.

The Government, confronted by pressure from both within and outside the National Party, is faced with having to accept significant changes in economic thinking, or risk its political future in 1981, not to mention devastating New Zealand's future economic wellbeing.

Several National Party insiders now firmly believe that Muldoon is facing the crunch decision of his career. Either he accepts the need for dramatic economic policy changes — including new attitudes toward import and price controls — and implements them, or faces so much internal party dissatisfaction that a leadership tussle may become a distinct possibility.

You can always gauge the measure of feeling and mood for change inside political parties by the degree of open criticism — not from accepted mavericks, but from those who are usually either tightlipped or prepared to rationalise away distasteful political directions simply to maintain unity.

Criticism of Muldoon has reached a different level in recent weeks.

The next month or so may prove vitally important for him.

And now for the irony.

While most cabinet placements were readily accepted by the party, the continued administration of Trade and Industry and Transport by two Ministers who should have been superseded by perhaps younger politicians more prepared to embrace change threatens the very move toward restructuring.

Both these ministries are key factors in the process of change, influencing, as they do, the policies that govern trade access and communications.

The departments that should be taking the lead in the restructuring process are ironically administered by men who will tend to agree with the Prime Minister in his rather conservative view of economic change.

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EDITORIAL

IN March 1977, the Public Expenditure Committee called for proposals from the news media and from Government departments in response to the idea that more of its meetings be opened to the public gaze. The then committee chairman, Bill Birch, declared he had been impressed by open Senate committee hearings he had seen in the United States, and he spoke of his belief that it would be "of some comfort" to the public here to know of the wide-ranging inquiries that were undertaken by Parliament's most influential and most active committee.

The proposal was consistent with a National Party election plank to support moves towards more open government, and was hailed — at least by the news media — as a step that would ensure the committee further developed an independent, searching attitude in all fields of Parliamentary appropriation.

The bureaucracy had other ideas, articulated — for example — by then Defence Secretary John Robertson. Open hearings would discourage public servants from giving information, he warned (raising questions about just who is in charge). And he pointed out that closed hearings were a good opportunity for the senior public servants to freely give information to members of both political parties; they were able to talk fairly freely about matters of policy, for example, rather than having to leave policy with their Cabinet Ministers (which raises further questions about that myth of Ministerial responsibility which the executive insists on perpetuating).

The anxiety of Government departments about keeping hearings closed should have served as good cause for our Parliamentary representatives to remove at least some of the mystery which surrounds Government administration, but the result was a ruling that evidence given to the Public Expenditure Committee could be made public by MPs only in five-minute speeches in Estimates debates in the House. It was a clear victory for secret government.

An initial member of the sub-committee which made the study was Marilyn Waring. Indeed, she is said to have been instrumental in raising the question of open hearings. Before the work was completed, however, she was shifted to another select committee — whether because of her concern to make committee work more public is a matter for conjecture.

Now she is back on the committee — a surprise choice as chairman. And last week, she indicated she has lost none of her reformist zeal. She hopes not only to call in departmental staff to give evidence before the committee, but also that sub-committees will travel around the country paying surprise visits to unsuspecting bureaucrats. She will be looking particularly at areas of duplication — of information and services — from department to department. "I'm interested in breaking down rather than reinforcing Government departments," she declared. The taxpaying public will wish her well and trust that she can galvanise committee colleagues into making the Public Expenditure Committee a more effective instrument of Parliamentary control.

That there is widespread incompetence in the Government's financial management was made clear last year, in the report of the Controller and Auditor-General on financial management and control in the administration of government. Among other complaints, the report noted that accountability to Parliament was inadequate.

The Public Expenditure Committee has seemed unwilling to flex all its muscle in recent years and gives the impression the bureaucrats hold the whip hand. Treasury officials, for example, are said to have cautioned committee interrogators on occasions that if a certain line of questioning is pursued, further co-operation from the department might not be forthcoming.

As the bureaucracy has accumulated increasing powers, of course, a widespread belief has developed in the community that political control exercised by Ministers over their departments and the critical scrutiny of the Government maintained by the Opposition in Parliament are insufficient to reveal and remedy the administrative abuses — whether intentional or unintentional — which occur. Waring has a golden opportunity to restore to Parliament at least some semblance of a capacity to check mismanagement and to dissipate just a fraction, perhaps, of the public's disillusionment.

Bob Edlin

WE hear of one viewer the other night who was bothered by TV Two's gratuitous 6 o'clock news reference to "petite blonde", Linda Jones. He promptly phoned Avalon to voice his objection by ascertaining from the news editor when reference would be made to "slim, brunette" Bobby Vance — or, even better, when describing the next political race, to "fat, balding" Rob Muldoon.

Trouble was, the newsroom was empty. The receptionist was unable to find anyone with whom the complainant could discuss the matter.

Still, it was Waitangi Day — a day for preoccupation with relationships between Maori and pakeha, rather than one for worrying about sexist news scripts.

●

IT is not just the newly-liberating Chinese regime that is bothered about free speech getting out of hand. That august body, the New Zealand Treasury, has been forced into a clampdown on its version of the wall poster — staff who talk to the news media.

In the wake of senior investigating officer Paul Carpinter's Anzaas speech on import protection, an instruction went out from permanent head Noel Lough — appropriately, on pink paper — that no one below assistant secretary level was to give the news media anything other than factual information of the "how many tonnes of oil do we use a year" variety.

In Britain, the once clam-like Treasury has been winkled partially into the open by a backbencher's bill (adopted by Parliament) which obliges it to publish its forecasts. Surprisingly, the Government superstructure has not crashed down around its ears as a result.

Precious few of our backbenchers look likely to lift the lid on our Treasury, so may we commend it to the new chairperson of Parliament's (potentially) powerful public expenditure committee as a worthy topic for investigation.

●

PAYING an annual visit to the far-flung outposts of his empire, Carl Masi, marketing support director for computer company Wang, gave a presentation on the benefits of the company's office products.

Emphasising Wang's worldwide market, he put up a slide showing the legend "Wang" on a map of the world; a stylised map, with all the small, unimportant bits left out — like those small, unimportant islands to the south-east of Australia.

Earlier Masi had been enthusing to our correspondent that New Zealand was Wang's fastest-growing market. They obviously don't tell the people who design their publicity material.

●

TV One's "Dateline Monday" was due to go back to air this week with all that is most profound in current affairs. But its companion programme, "Prime Time", was stalled by staffing difficulties, not least the departure of its producer, Geoff Wane.

As we hear it, the stall is likely to be permanent. TV One is about to abandon its attempt to produce two "different" programmes with one staff and to have two "Datelines" — one for Monday and one for Wednesday.

But the Wednesday edition will not be seen for some weeks — until executive producer Bill Earl has found someone to help out Ian Fraser and Jim Hopkins.

●

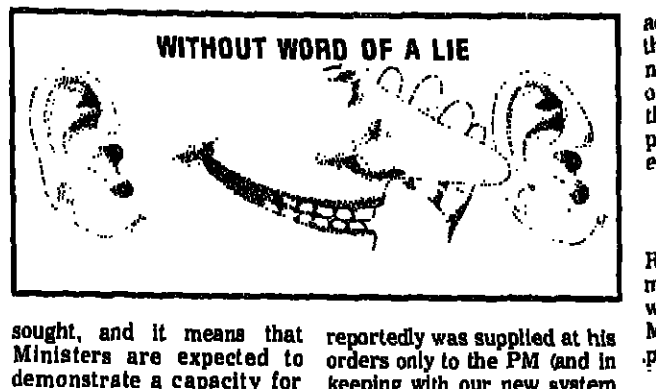
PRIME MINISTER Muldoon's policy of not holding press conferences and of perusing reporters' questions in writing before deciding who he will talk to led to the absurdity of TV One's Spencer Jolly being given the royal runaround in his quest for information about the recent threat to reimpose wage controls.

Labour Minister Bolger referred him (somewhat pointedly, we hear) to "the author" of the idea. That was Muldoon, and he wasn't talking. Try the Minister of Labour, was the Catch 22 advice.

Further absurdities have involved information-hungry newspapers reporting the results of their interviews with reporters who have been granted a rare audience with The Boss.

Generally, the new policy means that Parliamentary reporters must earn their keep by going to the Ministers responsible for the portfolio about which enlightenment is sought, and it means that Ministers are expected to demonstrate a capacity for individual enterprise.

WITHOUT WORD OF A LIE



But one problem area is the economy. The Minister of Finance, alas, is no more forthcoming than the Prime Minister.

Those concerned about our economic policies and the reasoning behind them must rely on the morsels thrown to them in speeches to Rotary clubs and in the Prime Minister's once-a-week communication with the world through his column in Truth (which means Pravda, in Russian — an institutionalised mouthpiece for the Soviet Government).

The Deputy Minister or Associate Ministers of Finance seem unable to serve as second and third best — perhaps because they are being kept in the dark too.

The Treasury report prepared in December and calling for changes in Government economic policy reportedly was supplied at his orders only to the PM (and in keeping with our new system of open government, Templeton and Quigley declined to comment when asked if they had seen it).

These goings-on in government have obvious implications for a democratic system whose effectiveness depends on an informed electorate. More curiously, it is a departure for a Prime Minister who — speaking to the Wellington Press Club on November 26, 1976 — could boast: "Ever since I first became Parliamentary Under-secretary to Harry Lake I adopted the theory that an informed public is a responsive public, and I have done my best, throughout that period, to keep the public up with the play on anything that I have been involved in. All of the Ministers in my Cabinet are under instructions as a general policy to conduct their administration in the same open way that I try to do. In accordance with that policy they should be available to the news media at any time, and on any issue, subject only to the imitations of their own programmes and engagements."

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READERS of The Dominion may have been impressed last week by the forecasting of its Monday morning commercial page.

The paper reported that the need for a massive restructuring of the economy had been characteristic of virtually all the reports on New Zealand's economy problems in the last year or so, and it declared that yet another report offering solutions for the economy was due to be published later in the week from the New Zealand Planning Council.

Then came some insights: "It is understood that, echoing the OECD report, the Planning Council also advocates devaluation of the dollar . . .

"The council's report is understood to suggest classical economic solutions rather than the policies, many of them stop-go ones, under which New Zealand has been run for the past 40 years . . .

"Apparently the report does not advocate a wage restraint policy because these have not worked in the past. However it is understood to recommend that the Arbitration Court be strengthened to monitor proposed settlements before they are enforced . . . ."

And so on.

When the report was publicly released later in the week, The Dominion was seen to have 20-20 forward vision. And maybe the paper's directors were prompted into some last-minute reappraisals about the abilities of job applicants as they pondered the appointment of a new editor.

But the Planning Council had been gracious enough to send copies of the report to news media late the previous week, embargoing it for release several days later. Assuming The Dominion is still on the council's mailing list, it therefore should have had the advantage of the advance copy — in which case its understanding of what might appear in the report should have been no more than an exercise in comprehending the simple English in which the report was written by its authors.

●

JUST in case you missed it, Radio New Zealand's Evening Report brought listeners up to date on the condition of Rob Muldoon after his operation with the observation he was now running the country single-handed.

NZ won't follow Aust. interest move

SOME small savings banks in Australia have begun paying interest on personal cheque account deposits in the hope of attracting more deposits. But it seems unlikely that New Zealand banks will adopt similar policies.

Bill Poole, research director of the NZ Bankers Association, said there was no reason to suppose that the larger trading banks could follow suit — either in New Zealand or Australia — without increasing income in other areas.

Current account deposits would otherwise dissipate in a short time, he said.

Poole pointed to the Southland Savings Bank — which for many years allowed cheque account operations on its 3 per cent deposits. Major banks did not follow this lead.

"The costs of cheque account operations, when they must be borne by the bank for fees below these costs, as has been the case in New Zealand, did not encourage any other savings bank to adopt the SSB approach," he said. In fact there were complaints that costs were too high.

Apart from the problem of eroding banks' reserves, under current regulations trading banks do not accept interest-bearing deposits of less than 30 days' maturity.

Traditionally, the approach has been to limit trading banks' competition in the area of savings bank deposits.

Poole said he did not see any reason for a change in the legislation.

What would be the effects on stability if a savings bank did attract funds from trading banks? Poole said there would be some impact on the availability of industrial and commercial finance, for farming and personal lending.

Any threat to the availability of funds for export and employment-generating sectors could attract official disapproval, he said.

Battery-electric alternative to council buses

THE Government's decision to conduct a joint evaluation with the Wellington City Council on the competing merits of trolley and diesel buses raises a number of questions about energy and transport policies in a tight economic environment.

For instance, just how much are the Government and local bodies prepared to pay to support their professed policies of using local energy resources and saving valuable foreign exchange?

When Wellington's Mayor Michael Fowler led a deputation to the Government, he made the point that the council would probably be forced to buy diesel unless some new funding arrangement could be made.

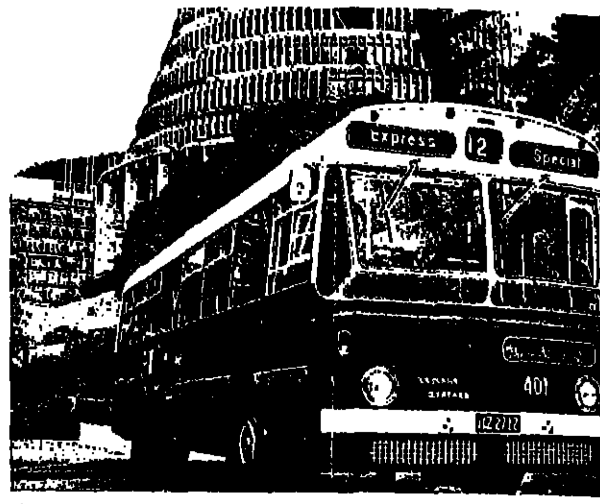
Wellington is looking to replace 68 aging trolleys under the Government's bus replacement programme, but has found that the subsidy programme applies only to diesel buses.

These are cheaper to buy, but have a shorter life and are more expensive to operate and maintain, although they are more manoeuvrable than trolleys.

Unless the Government gave extra financial assistance to the council, it seemed clear the council would be forced to buy diesels despite the environmental and energy costs involved.

After the meeting with four Government ministers, Fowler was talking about a possible compromise, buying a mixture of trolleys and diesels.

The exercise is being regarded particularly in Auckland as a test case of the Government's intentions towards local authorities looking at their future urban transport needs.



DIESEL BUSES . . . environmental and energy costs.

One man who says he believes the Wellington City Council is looking at the wrong sort of compromise is Roy Leembruggen, a Sydney engineer, who is also a tenderer for the council's bus contract.

Four years ago, Leembruggen's company, Elroy Engineering, designed and built a demonstrator battery electric bus. It was designed to operate in dense inner-city traffic, to carry 116 passengers able to enter and leave rapidly, and to operate for three or four hours before swapping its batteries for a fresh pack in five minutes.

Leembrugen has evolved a battery-trolley version of his Townobile. This overcomes inherent disadvantages of trolley buses: the tangle of overheads in inner city routes, where the overheads would be dispensed with and the buses would operate on battery; and outages on the suburban routes. Instead of calling out the diesels when roadworks or accidents block the trolley route, battery-trolley Townobiles would cover these and inner city sections on their internal batteries. The batteries would be recharged when the buses were being powered from the overhead.

Wellington has been offered the three Townobile versions: the battery-only, the trolley-battery, and a trolley-only.

Leembruggen advances several reasons why the Townobile has not found any takers in Australia.

First, battery electric propulsion is a foreign discipline to institutional transport engineers reared in diesel smoke.

Second, Leembruggen's Townobile bus is, in computer language, the "hardware" of what is basically a different approach to public transport. Leembruggen offers the buses in packs of 10, complete with a depot for battery-swapping, battery recharging, and overnight bus cleaning and maintenance.

At present, diesel buses approach from suburban terminals and, on reaching the inner city area, progress through city traffic to their turnaround point, dropping off passengers, so that more and more diesels carry less and less.

Leembruggen sees suburban diesels offloading passengers on reaching the outskirts of the inner city area. A few Townobiles, operating a circle or shuttle route in the inner city, would handle all the inner city transport.

A State Government study in Australia found that annual capital and operating costs for Townobiles would be 66 per cent of comparable diesel costs. In the USA, the General Motors Transit Technology Group study produced the nearly identical figure of 67 per cent for the Townobile compared with diesel.

Leembruggen is also offering to build a factory wherever Townobiles are first ordered with a 60 to 80 per cent local content.

Apart from any considerations about New Zealand establishing another manufacturing first in building and possibly exporting electric buses, there will be interest in this and other pieces of alternative technology, which seem well designed to fit in with our abundant electric power resources and scarce foreign exchange. Well suited, that is, if the Government is prepared to pay a higher capital cost immediately to gain longer-term benefits.

Govt must cut spending — Planning Council

Economics Correspondent

THE ECONOMY

PROPER control of money and spending will require a considerable reduction in the Government's deficit before borrowing in 1979.

This warning comes from the Planning Council in its latest publication, Economic Strategy, 1979.

According to the council, the rapid increase in Government expenditure, covered much less than usual by tax revenues, has played a big part in the recent expansion of money and credit, and in stimulating domestic consumption.

The council says it does not think the expansion of money and credit can continue at such a high rate without adding to the difficulties already present in attempts to curb inflation.

Some steps have been taken to moderate the monetary impact of the Government's deficit. The Reserve Bank's recent stock issues have attracted heavy public borrowing.

But the council points out that although this borrowing will continue to be desirable in the short term as a means of keeping private sector credit in check, it could have damaging effects in the long term. It could make credit to productive enterprises scarce and expensive.

Large Government deficits may also add to the problems of saving overseas exchange. While injections of Government money into the economy usually have a useful short-term influence on domestic consumption (causing consumer demand to rise, encouraging firms to increase their output), the long-run effects are unwanted. If local producers do not gear up their production, or cannot offer preferred goods, the injection of Government funds will end up financing increased import demand.

And if the supply of locally produced or imported goods and services falls to meet the demand for them generated by Government spending, the Government's expansionary measure will fuel price rises.

The council warns that "the inevitable impact effect on prices must not be permitted to generate a general upward pressure on costs". To this end, "future Government measures must be accompanied by firmer control over the growth of money, spending, and incomes.

"The basic principles must be to achieve as soon as possible, a rate of price increase no greater than that of our trading partners and preferably less, given our need to expand exports."

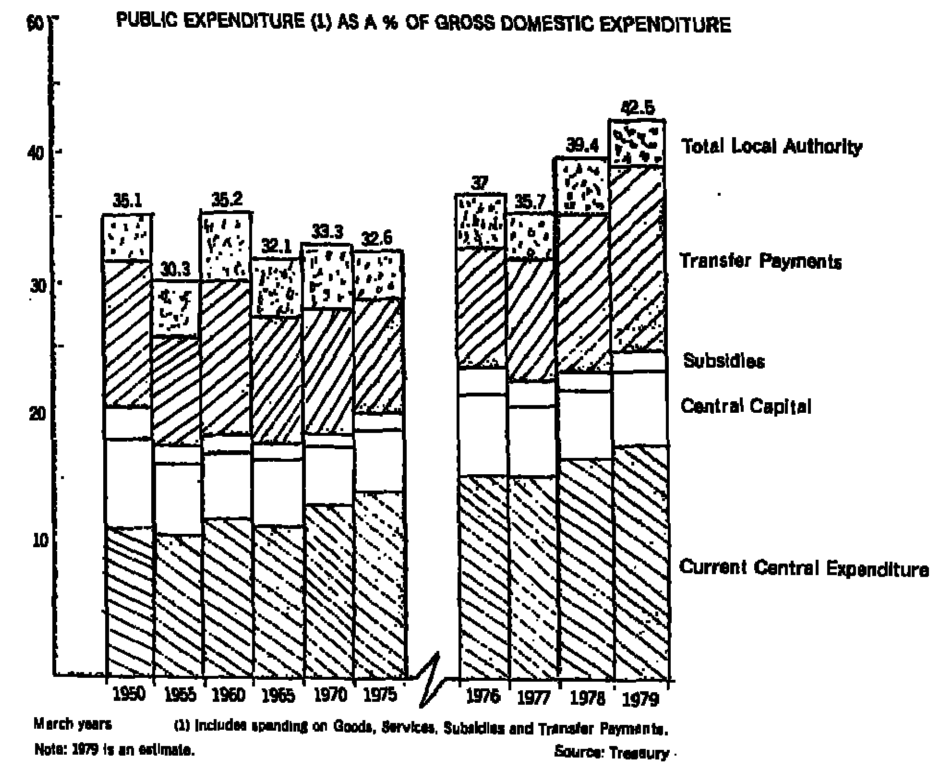
It is clear that the Planning Council wants the Government to reduce its deficit. But does the Government have to reduce its spending in order to reduce the deficit? Here, the council's report becomes confused.

According to the council, "there must be a switch in the distribution of income towards farmers and companies which earn and save foreign exchange . . . To enable farming and investment activities to expand, while living within our external means (keeping the balance of payments deficit at a sustainable level), restraint on government expenditure and private consumption will be needed for a while."

The council still suffers from the misapprehension that the national cake always stays the same size. The council appears to argue that when the Government takes a certain share of this cake, it is depriving farmers, companies and other "worthy" private individuals of the resources necessary for them to develop.

In fact, the national cake is always changing in size. If the cake grows as a result of Government spending, there is a possibility that the share going to the private sector will also grow. While no doubt the Government should plan its spending better, it may still be necessary to increase expenditures in some areas in order to stimulate growth and to provide the back-up services which enable companies and farmers to produce more exports.

It is possible that the Government's deficit will automatically reduce this year, without a curbing of Government spending. As the Planning Council points out, "income tax revenues will increase appreciably as a result of the big pay increases which have (already) occurred".



Government has recently increased its share of GDE. Will this trend continue beyond 1979?

NBR BUSINESS WEEK

Commission's findings favour contractors

by Peter V O'Brien

THE small fellow can still take on the bureaucracy and win.

The Commerce Commission recently issued a decision on an appeal from a pricing decision of the Secretary for Trade and Industry, and found in favour of the appellants, a partnership of N H and G G Meyer, who are in business as agricultural contractors at Ladbrooks near Christchurch.

The decision, and the case itself, again focuses attention on our incredible price system. The facts of the case were straightforward. Between January and March 1977, the partnership employed its header harvester to harvest crops for a farmer client, and sent the client an account for the work. The commission recorded evidence that the client failed to pay until January 1978, and then withheld 7.25 per cent.

When the partners pressed for full payment, the client complained to the secretary that the rates appeared excessive.

Then the full weight of the nation's economic watchdogs swung into action. The secretary inquired into the rates of charge for the 1976-77 and 1977-78 seasons. In May 1978, the district officer, Department of Trade and Industry, Christchurch, "presumably acting under a delegation from the secretary", informed the partnership that he had "approved" certain hourly header-harvester rates of charge for those two season.

The partnership appealed against these rates, considering them inadequate. (Since the appeal, the secretary has revised and increased the rates originally approved, and has set an hourly rate for the 1978-79 season. For the purposes of the appeal the commission was not concerned whether these later rates were acceptable to the partnership, and did not inquire into that question.)

The partnership's charges came within "Category B, Group 2 Services", under the Stabilisation of Prices Regulations 1974, and particularly regulations 19 to 22 which set out how charges are to be made.

"The evidence presented to the commission established that the partnership's prices in the two seasons had not been determined in accordance with regulation 19." (It should be noted that the appellants conducted their own case before the commission; the department was represented by counsel.)

"In fact, Mr Meyer acknowledged that he had not been aware of the existence of the Regulations, with the result that at no time had the partnership observed the provision of the Regulations as they apply to the affairs of the partnership. The prices charged by the partnership, season by season, have always been based upon the charges recommended by the Agricultural Section of the New Zealand Contractors Federation," the commission noted.

When discussing the sequence of events after the secretary applied himself to the charges, the commission found that "instead of seeking to ascertain what the partnership's charges should have been in terms of regulation 19, the secretary addressed himself to a determination of what he considered, in the light of his information, would have been reasonable prices for the services in the two seasons in question". The commission then said that the secretary must have taken that course under regulation 24 which gives him authority at any time to inquire into prices being charged for any Category B goods or services.

After canvassing the wording of the various regulations, the commission concluded that "the secretary has failed to establish that the partnership's prices for its header-harvester services in the 1976-77 and 1977-78 harvesting seasons were in excess of those which it could properly charge pursuant to regulation 19".

In addition, even if the secretary had established this point, he had no power under the regulations to apply retrospective prices to the seasons in question.

In regard to the application of regulation 24 (the secretary being able to inquire into prices at any time), the commission held that it applies to setting prices for the supply of services which will be supplied in the future "i.e. to services supplied after the secretary's fixation of a price etc., and cannot possibly be taken to have application to the price or prices at which services have been supplied in the past" (the commission's words).

In both these cases, there was no provision in the regulations as to what would be done with the excess of the previous charges, neither forfeiture nor refund. That was another reason why regulation 24 could not be read to give the secretary retrospective power.

The appeal was allowed on the grounds that the decision reached was ultra vires the secretary in terms of the Stabilisation of Prices Regulations, 1974.

The case was dealt with according to the procedures laid down. A complaint was lodged, a decision reached, an appeal made against the decision, an appeal hearing by a three man division of the commission and a formal decision handed down.

But how absurd! Considerable sums of money were applied to see whether the local harvesting contractors were making an illegal buck, merely because a set of antiquated regulations has been kept in force. The partners had their day in court, but they may have done more. Their appeal highlights the ludicrous state of price control, and the commission's decision could not have come at a better time. Perhaps it will provide a little more impetus to change the regulations.

Govt buy[s] FOL ballot solution

Industrial Reporter

THE Government's uni[on] ballot exercise seems to ha[ve] been settled, terminating [a] fiery industrial controve[rsy] over the issue.

The ironic point is that [the] solution is the same one [the] Federation of Lab[our] proposed at the beginni[ng] letting union members call [for] their own ballot.

Typically, the union [v] Government fight got hott[er] and hotter as the Gener[al] Election drew near, [but] quickly subsided after th[e] election.

National was in power [for] years when it decided to ful[fil] its 1975 Manifesto promise [to] give all workers in eac[h] industry the right to cho[ose] whether their union is going [to] be voluntary or compulsory.

The FOL blustered and s[aid] unionists would refuse to wo[rk] with non-unionists if a gro[up] went voluntary.

FOL president Sir To[m] Skinner insisted that the uni[on] movement wasn't afraid [of] secret ballots, but objected [to] Government arbitrarily dictating who will be balloted.

In July 1977, th[e] Government listed five unio[ns] to be polled.

The first ballot in Octob[er] 1977, was of the 100 Golden B[ay] Cement workers. The FO[L] sent along a representative [to] help conduct the ballot, sayi[ng] it was actually an FOL-r[un] ballot (it's questionable wh[o] they thought would believ[e] that one.)

The voting result from th[is] close-knit, strife-free unio[n] was predictable — overwhelming support fo[r] continuing compulsory unionism.

Eight months later, th[e] Government polled the secon[d] and third unions (Canterbu[ry] Rubber Workers and th[e] Chemical Fertiliser Workers) and then listed a further [...] unions to be balloted.

The Government asked fo[r] problems by polling workers covered by a certain award rather than members of a certain union. Some unions negotiate 15 to 20 awards and they don't keep track of which members are covered by which award.

It was also a bit on the nose for the Government to demand that the unions supply the voting list (for a ballot they disapproved of). The Labour Department, conducting the vote, said it merely accepted the union list as correct.

In August, the Industrial Relations Council (made up of representatives from the FOL, Employers Federation and Government) recommended a moratorium on ballots until alternatives were investigated.

But the Prime Minister refused.

It was in September (less than two months to Election Day) that Rob Muldoon threatened that all unions would be declared voluntary if the Bank Officers Union didn't supply its membership list on time.

In early November (three weeks to go) the Government took the surprise step of declaring the 33,000 members in the Clerical Workers award and the Licensed Hotel Clerical Workers award as non-compulsory unions.

This was despite the union's insistence that it had met the deadline for turning over its voting rolls.

Recently, the Clerical Union found that only 2 to 3 per cent of its members took advantage of the voluntary status by resigning.

In December, two other "safe" unions (Wellington Rubber Workers and Dunlop) were balloted and voted to retain the status quo.

So far, eight unions have been balloted, and the known results all favour compulsory membership. (Some are still in dispute through the courts.)

Union leaders call it a "wasteful" exercise. Sir Tom says that if all unions were balloted it would cost the taxpayer $5.5 million. Former Labour Minister Peter Gordon says it would be much lower.

Now it looks as though, the Government has dropped its ballots, as long as the unions show they have support from members for retaining compulsory unionism.

If members aren't happy about it, a petition of 10 per cent of the members can force the union to hold a ballot.

In the end, the FOL is getting the solution it proposed.

But no one yet has added up the total cost of the exercise.

Analysing annual accounts

by Peter V. O'Brien

FIRESTONE NZ LTD is applying tight financial controls to an industry which suffers from overcapacity and an easing demand for products.

The tyre industry has been going through a tough time. There has been speculation that one of the three units operating in the country might eventually throw in its hand. That has not happened so far, and the companies are dealing well with a difficult situation.

A comment from Firestone's report sums up the position: "The recession in the economy had its effect in both the replacement and original equipment new tyre markets from mid-1977 onwards. On the other hand, demand for retreads has strengthened."

TYRE PRODUCTION . . . hampered by stoppages.

The company also had to face problems unconnected to the vagaries of the market: "Our ability to restore new tyre inventories to adequate levels and deliver the market's requirements was severely hampered by numerous and persistent stoppages at the tyre plant. The length of the stoppages varied as did the reasons for them, but they all contributed to a substantial loss in efficiency and productivity."

Firestone still achieved a cut in stocks, a cut which was probably better in volume terms than the position disclosed when the inventory is recorded in inflated dollars.

At balance date (October 31), inventories totalled $7.6 million, compared with $7.9 million in 1977. Raw materials and supplies finished the year at $2,360,617, as against $2,562,595, probably helped by "fairly stable" material prices. Work in progress was slightly higher than 1977's $532,577, coming out at $567,492, while finished goods accounted for $4,687,239, compared with $4,861,648 in the previous year.

It seems that a combination of lower inventory, a tighter business climate, and close attention to collections was responsible for "accounts receivable-trade" falling from $4,437,956 to $4,309,543.

As a result of movements in inventory and accounts receivables, current assets totalled $12.1 million, an improvement of about 3.5 per cent on the year.

Current liabilities had a consequent improvement, after allowance for $3.8 million of "long term loans due within one year." That amount was transferred to term liabilities, apparently as a result of refinancing overseas loans.

Pressure on costs shows up in both the profit and loss account, and also in a pie chart which sets out how each dollar of sales was applied.

(Placing the pie chart at the back of the report, and failing to include its information in the profit and loss account, is a minor criticism of the Firestone report. If the company is prepared to publish the information, it would be convenient for readers to see it in the formal accounts, rather than refer to a graph which, strictly speaking, is outside the formal accounting data).

The table shows how the various components of the sales dollar changed between 1977 and 1978.

	1978 (cents)	1977 (cents)
Materials and purchased goods	38.8	41.8
Financial charges	1.1	0.9
Interest on notes	0.4	0.4
Income tax	4.7	5.3
Dividends	3.8	3.9
Profit retained	3.1	2.7
Manufacturing and operating expenses	22.2	18.8
Wages and salaries	25.9	26.2
	100.0	100.0

The chairman refers in his review to a sharp increase in wage rates within the industry, and in those which provide services.

The point receives no further explanation, and sits oddly with an apparent reduction in the proportion of the sales dollar taken up in that item.

A drop in the number of employees while prices increased may be one explanation. Fewer employees could disguise a substantial increase in unit wage payments over the staff currently employed.

While some explanation of that point would be welcome, Firestone at least goes to the trouble of giving information on the breakdown of costs between various expense headings.

The company's report is always brief, but that is not necessarily a bad thing, given the information provided, and the fact that it is a one-product enterprise. There is a limit to how far an organisation can analyse the New Zealand tyre market, or give sub breakdowns of its finances when they relate to one product, or to its component materials.

But pressure was certainly present on margins. While total sales hit $39.3 million, an increase of $4.7 million or 13.6 per cent over 1977, pre-tax earnings went from $3,991,357 to $4,407,359, a movement of 10.4 per cent. Higher net profit received a boost from tax changes, including $142,000 from the stock adjustment allowance.

Specifics lacking in Planning Council strategy

by Peter V O'Brien

"A PROGRAMME for 1979 which would be consistent with the medium run strategy set out in Planning Perspectives would need to include action on three fronts:

(1) Measures directed to stimulating both earning and saving of overseas exchange.

(2) Measures designed to bring New Zealand's inflation down to rates no greater, and preferably less, than those prevailing on average in the countries with which we trade, in a manner which will expand, and not reduce, employment opportunities.

(3) Measures directed to promoting a more efficient, flexible and competitive economy.

"The required measures will not work if they are introduced piecemeal. It is recommended, therefore, that the Government formulate and announce an integrated plan of campaign."

Those words, brethren, are taken from the Planning Council's latest publication Economic Strategy, 1979.

What measures? You will look in vain for specifics.

The council refers to the option of devaluation, and points out problems in that approach. It recommends that policies "should aim for a reduction of the deficit on current account in the official balance of payments to about 2.5 per cent of GNP on average in the early 1980's", but declines to put forward policies to achieve the goal.

The council says it "believes that it would be in the national interest to foster a greater inflow of direct investment from overseas in the next phase of our development". It recommends "liberalisation over a wide front and an active publicity effort to encourage overseas interest". No method backs up the recommendation.

The Government and the Reserve Bank should publish guidelines for the appropriate growth rate in the money supply, but no suitable guideline appears in the report.

Emphasis should be placed on restraining the growth of Government expenditure and ensuring that consumption is not artificially stimulated by unduly low charges for public services, according to the council. What restraints? Should the $48 million subsidy on milk be removed? Should the $37 million subsidy to the Railways be cut by raising charges? Should health services, particularly prescription drug availability, be revamped? The council will report "further" on strategies for public expenditure in the second quarter of 1979, so it might direct itself to specifics in that document. It is about time.

Price control relaxation is recommended, with formal controls being confined to "a relatively short list of goods and services".

What goods and services? What industries should have to notify price increases? Is someone else to provide answers to questions which were being raised before the council came into existence?

Tourism is to be encouraged. How? Import licensing should be liberalised. How, over what period of time, and in relation to what items in the schedule? Licensing should be reorganised. In what areas, apart from a reference to the meat industry?

Finally, the council welcomes moves to discuss wage policy between employers and unions, provided "that it is more than a bout of public oratory from entrenched positions". Economic Strategy, 1979 is an excellent example of "public oratory".

NBR has often discussed the need for New Zealand to buy overseas technology, and pointed out that (a) the technology is necessary for the production of new export goods, whether from local raw materials or from imported commodities, (b) our systems, controls and attitudes are already taking us off the list of options when overseas companies look for new processing or manufacturing bases.

A country of 3 million cannot afford to go it alone in expensive technology-oriented industry, whether small or large scale. Industrialists have some simple requirements when they enter a country. They want to know (a) that the rules will not be changed part way through the game, (b) that they deal quickly with a few, or one, authority, (c) that the people handling the project inside the country have an outlook which understands the problems and motivations of the industrialist, while preserving the interests and goals of the country against possible "economic colonialism".

Entrepreneurs are always hard to find, but an organisation can create a climate where its members are able to think and act in an entrepreneurial way. Unfortunately, the nature and structure of a Government department acts against such a climate. This has been realised in other countries, and will have to be realised here to get the industry, the technology, and thus the export goods, to bring us out of stagnation and into sustained growth in the medium- to long-term.

The council has said that "measures" are needed. While the following few "measures" may cause strenuous debate, with several being strongly opposed by those elements affected, they at least are concrete proposals. They assume that devaluation is not chosen as an option.

The cost is admittedly an element requiring close examination, because they would have to be introduced at the expense of other Government programmes. The necessary tradeoffs involve Government expenditure controls, or a reduction of some present payments. But that is necessary if New Zealand is ever to break out of its constraining circle of overseas deficits, unemployment, inflation, and skilled emigration.

The attraction of overseas industrial investment, and the development of local projects, should be placed in the hands of a New Zealand Industry Corporation. The industry development activities of the Department of Trade and Industry would be transferred to this body. The consequent funding would be achieved from the amount currently spent in the department.

The corporation would be responsible to the Minister of Trade and Industry, or a minister of development, and would actively seek out industrial opportunities, utilising overseas investment either alone or preferably in partnership with New Zealand firms. It would promote New Zealand as an industrial site in other countries, particularly the United States, Germany, and Japan, and would act as the reference point for all projects from overseas. The corporation would then deal with the various agencies in New Zealand, with the overseas group dealing only with the corporation until the project had got beyond the planning and construction stage. The corporation could also assist with offshore opportunities for New Zealand manufacturers. The Industries Development Commission would be wound up and any residual activities transferred to the corporation. Regional development, as it applies to industry, would also come under the corporation.

The corporation would be in close contact with the Development Finance Corporation (the loan finance arm of industrial development), but the DFC's Small Business Agency would be transferred to the New Zealand Industrial Corporation, the latter being the SBA's logical home. The corporation would liaise closely with the Export-Import Corporation.

New industry coming to New Zealand under the NZIC aegis would qualify for the 40 per cent investment allowance for new plant and machinery currently proposed for those industries which implement comprehensive industry development plans. Consideration would be given to raising that allowance to 50 or 60 per cent, and-or to introducing accelerated depreciation rates. The NZIC would implement a package of assistance, for example leasehold sites, training grants, and so on.

As a step to stimulating industrial investment, company tax rates would be cut to 40 per cent. This would, on the basis of the NZIER's figures for company income in 1978-79, cost about $70 million.

As an alternative to a cut in company tax rates, or in addition, companies which implemented a profitsharing scheme would be entitled to a 150 per cent tax deduction if they distributed say up to 10 per cent of the pre-tax profits of the enterprise to the workforce. This does not mean a 10 per cent wage hike, as it would come from pre-tax profit. Since it would attract tax in the hands of the recipients the Government would be forgoing two-thirds of the concession in net terms. That would cost about $70 million. Improved company profitability would help to reduce the concession's impact on public revenue.

Price control would be confined to the present Positive List of the Commerce Act. Control of prices for fares and similar matters coming under statutory authorities would be transferred to the Commerce Commission. The other statutory authorities would be abolished or confined to general matters.

Effective control of all other prices would be implemented through the investigation and profiteering sections of the Commerce Act. Apart from saving funds from the present system, considerable administrative costs would be saved in industry and commerce by doing away with the detailed compliance with regulations.

Removal of licensing requirements on motor spirits and all industries now requiring an operating licence (road transport, air transport, meat and so on) would also save administrative time and money. There is no reason why a licence should be a valuable negotiable instrument. The licence to drive a motor car, for example, is granted on ability to drive in accordance with the rules of the road and safety requirements. That should be the criterion, with efficiency being calculated by the normal economic rule of running a profitable business. Liquor licensing opens up emotional arguments, so that issue requires special assessment.

In cases where existing licence-holders had paid heavy goodwill for their licence, they would be entitled to write off the resulting capital loss against taxes over three or five years.

The detailed recommendations of the Tourism Advisory Council report to the Minister of Tourism published in 1978 cover tourist development.

The "liberalisation" of import licensing should be phased in over at least a five year period (or even eight years at 12.5 per cent a year) and be directed in the first instance to textiles and apparel. A phased period is necessary to minimise employment disruption and to allow for reallocation of people into the industries which would grow up from the industrial development programme.

In the longer term, when the need for more immigrant population with skills grows, it would be possible to offer short-term concessions to attract them (or returning New Zealanders) into the country.

The thrust of the few proposals given above (without the access to the range of services available to the Planning Council and the Government departments) would be to lift industrial investment and production for export; to get the population back to work (a massive saving in Government expenditure on the dole); to cut inflation by increasing production and productivity; and to lift incomes as a result of the increasing profitability of enterprises both locally and on the international market. As mentioned earlier, the proposals assume that devaluation is not chosen as an option. They also adopt a gradual approach rather than upheaval.

Whether the concrete suggestions are acceptable, or need modification, is another question. At least they are concrete, as opposed to the Planning Council's marshmallow.

Correction

In last week's article on Government monetary policy, it was stated that the company tax payments this year would not benefit from the trading stock concession.

The effect of withdrawing the concession will not show up until the tax payment made in March 1980, because the payment due in a few weeks is based on profits earned in 1977-78.

Key indicators

		Current Period	Previous Year	Per cent change
Consumers Price Index — all groups base Dec 1977 — 1000	Dec 78	1101	1000	+10.1
Building Permits Issued	Oct 78	$103.5m	$84.4m	+22.00
	Oct 78 year	$1081.5m	$1118.1m	−5.00
Official Overseas Reserves	Nov 78	$653.1m	652.5m	+0.18
Registered Unemployed — incl those on special work schemes	Dec 78	52,750	24,432	+115.91
NZUC Share Price Index	8 Feb 79	333.13	305.78	+9.00
Reserve Bank Share Price Index	7 Feb 79	1502	1364	+10.00

Exchange rates

As at February 8, 1979
$1NZ is worth:

Australia	.9290
Britain	.5248
Canada	1.2600
Fiji	.8670
Japan	205.28
West Germany	1.9278
USA	1.0562
Austria	14.14
Belgium	30.49
China	1.6469
Denmark	5.3445
France	4.4321
Greece	37.69
Hong Kong	5.0201
India	8.5276
Italy	875.66
Malaysia	2.2932
Netherlands	2.0854
New Caledonia & Tahiti	80.67
Norway	5.3041
Pakistan	10.32
Papua-New Guinea	.7331
Portugal	49.43
Singapore	2.2599
South Africa	.9087
Spain	72.51
Sweden	4.5408
Switzerland	1.7276
Western Samoa	.7524

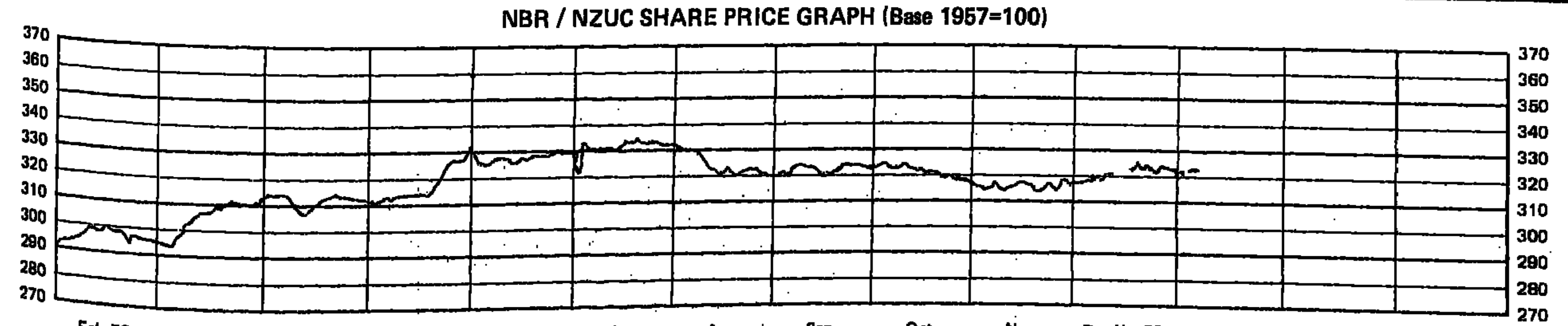
Selling rates supplied by CBA Bank.

NBR SHAREMARKET SURVEY

WEEK ENDING FEBRUARY 8, 1979

1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio
100	100	AIRWORK,50C	100	100	100	12.0	200	6.0	5.1
190	190	AJAX G.I.F.	190	190	190	13.0	500	6.9	6.1
90	90	A.J.WHITE	90	90	90	11.5	200	12.8	4.2
115	115	ALCAN,50C	115	115	115	20.0	2800	8.7	1.9
250	243	A.H.I.	245	245	243	14.0	460	5.7	4.2
75	72	ALLIANCE,50C	73	73	72	13.0	10300	8.9	4.6
245	230	ALLIED FARMERS	240	240	240	14.0	14700	5.9	6.0
130	127	ALLIED PRESS	130	130	130	10.5	500	.0	3.1
		ALLOY STEEL	275	...	...	12.0	0	4.4	10.9
		AMALG.PATTS	160	...	...	13.5	0	8.4	6.4
195	190	A.M.BISLEY, 50C	135	...	...	20.0	0	5.1	3.2
90	90	AMPOL PET.,50C	90	...	...	11.0	0	6.1	14.1
125	125	A.HEAVEN	125	125	125	12.0	5600	9.6	5.0
125	120	A SPRINGHALL	120	120	120	14.0	200	11.7	7.6
260	260	A.WRIGHT	250	...	...	17.0	0	6.5	3.1
190	178	A.BARNETT	180	180	180	14.0	2300	7.9	3.1
125	125	A.ELLIS	125	125	125	11.0	200	8.8	3.3
330	310	ARTHUR YATES	325	325	325	17.0	1900	5.3	4.7
310	175	ASHBY BERGH	310	310	310	22.5	700	7.3	3.8
205	198	A.S.PATERSON	205	205	205	15.0	5600	7.3	6.9
175	175	A.N.CABLES	175	175	175	16.5	1700	9.4	4.3
51	49	ATLAS, 50C	50	50	49	17.5	16100	17.5	2.7
315	310	AUCK.GAS	312	312	312	12.5	1300	4.0	13.5
		AUCK. INTERCON. PROP	110	...	...	5.0	0	4.5	25.9
220	210	AURORA,50C	220	220	220	14.0	13700	3.2	10.9
		A.C.I.	130	...	...	9.0	0	4.5	7.0
90	81	AUTOCRAT HOLDS	85	85	85	17.5	1100	20.6	2.5
90	50	BAILLIE,50C	52	52	50	10.0	1200	9.4	6.3
78	74	BALLINS,50C	75	75	74	12.5	10600	8.3	6.0
425	415	BANK N.S.W.,$2	425	...	...	15.0	0	7.1	6.2
82	82	BEACH PETE.,50C	82	82	82	[illegible]	2000	[illegible]	[illegible]
78	71	BING HARRIS, 50C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1957=100)



Smorgasbord: Russian roulette for the gourmet

by Belinda Gillespie

SMORGASBORD lunches are on the menu again at Wellington's James Cook Hotel. Renowned for its range of 200 or more smorgasbord delicacies, the James Cook was hoist with its own petard when pre-Christmas catering laid lunchers low in a food-poisoning outbreak which went on for three days.

Having received a clearance from the Health Department, the restaurant is back in business, and said by one of its managers to be "picking up" after a slow start, due in part to the holiday season.

The financial repercussions of such incidents are hard to measure, and are played down by management. Des Fitzgerald, public relations director for Lion Breweries, commenting on the 1977 outbreak at the Waterloo, claimed that losses were not large, despite the closure of the dining rooms for several weeks. Plans were already afoot to redesign the Waterloo kitchen and restaurant, and these were hurried along, to the tune of around $100,000.

Waterloo guests were dined out at other Wellington hotels, and losses due to casual dining were a mere fleabite to the company. With a projected food budget of $14 million this year, and the biggest catering operation outside the armed forces, Lion is roaring all the way to the bank.

Peter Meikle, James Cook managing director, admitted that financial losses would have been considerable if the outbreak had not occurred so close to Christmas, with most of the lucrative catering already out of the way. But the period of closure coincided with a normally slack period, when a small a la carte menu is offered instead of the full smorgasbord. People have short memories, says Meikle, who doesn't foresee any long-term effects on the lunch trade. While the hotel will be installing some new refrigeration, no major redesigning of the kitchen has been called for.

Nevertheless, hotels are not eager for publicity, either as to the causes or effects of any food poisoning incidents which may occur. While the managements of the Waterloo and James Cook have cooperated with the media, according to one source there have been at least three other major outbreaks in New Zealand hotels in the last year. They managed to avoid publicity, though they are known within the trade.

GOOD HEALTHKEEPING

The Health Department keeps counsel and does not publicise food poisoning outbreaks unless it thinks that the public is at continued risk. While public awareness of the risks is a good thing, public reaction is a different matter. Once an incident such as that at the James Cook has been rectified, there is no need for continued public repudiation. Management, however, even with good quality facilities, should never become complacent.

The department wants cooperation, not antagonism, and is reluctant to use its legal powers to ensure the provision of wholesome food. There are never enough health inspectors to stand over catering establishments, so officials try to create awareness and a sense of responsibility. Though they admit that adverse publicity motivates improvement, they emphasise that this must be done through the courts.

Eating a smorgasbord concocted in the pre-Christmas scramble is a gastronomic Russian roulette, going by bacterial sampling of some of the foods presented at such times. This may be one reason why this style of eating appears to be declining in popularity overseas, where a simpler presentation of a range of hot meats and salads is gaining ground.

In New Zealand, however, despite the hundreds of people affected in the festive seasons of 1977 and 1978, the smorgasbord is still in vogue. Lion continues to offer it at its "high class" establishments such as the Waterloo and the South Pacific, and the James Cook has no intention of changing the concept of the free-for-all over a daunting array of dishes which has proved such a success in the past.

Nor do the managements, in either case, see a need for a major rethinking of hygiene standards. Fitzgerald pointed out that the problem occurred only under conditions of pressure, when food was left exposed and unrefrigerated for longer than usual. He claimed that designing kitchens to operate up to this level all year round would be uneconomic. Meikle also emphasised that the time temperature factor was crucial; sliced meat (indicated as the cause of the problem) previously left unrefrigerated would now be restored to refrigeration before serving. He sees the issue as one which can be solved through commonsense rather than science.

But to the Health Department, the smorgasbord is a chronic headache and a Christmas nightmare. The organism to which the James Cook outbreak was traced was clostridium perfringens, a type which is naturally present in raw meat, but is killed by normal cooking temperatures. Rare meat is infected, and cooked meat or other food can be recontaminated when stored with raw.

Even so, the bacterial population can be kept in safe limits if temperature is tightly controlled throughout the process with the food kept either very hot or very cold. The exposure of almost any type of food, for any length of time, at room temperature is hazardous. Salmonella and faecal coliform bacteria, other common causes of food poisoning, proliferate under similar conditions, though their presence in food may reflect poor hygiene habits and knowledge rather than inadequate storage.

Some hotels blame their sloppy customers for contaminating the food at the point of sale. To the bacteriologists, this is a non-argument, though they admit there is a case for presenting all smorgasbord foods on ice, as is required in the United States.

But to reach really dangerous levels, food must have been infected well back in the food-processing chain, and exposed for many hours in warm, humid, conditions. Rare roast beef, for example, may be cooked for three hours, left overnight in a warm kitchen to "cool", and stored for several days in a refrigerator. Constant traffic through the refrigerator may mean temperatures as high as 65 deg. F instead of a safe level of around 35 deg. Once sliced, the meat is further exposed on a bench and then in a warm room until finally eaten — by this time densely populated with the clostridia bacteria which have spread from the near raw centre of the joint of meat.

Health Department investigations, while they may pinpoint one organism as the cause, usually show that there is potential for the growth of others, which have been eliminated only by chance. Occasionally food such as ham is bought already in a contaminated state.

The smorgasbord concept, imposed on an a la carte kitchen, provides many opportunities for bacterial growth. A kitchen designed to fit the concept would provide a large amount of wheel-in refrigeration space with air curtains instead of doors.

There are more problems when the catering is stretched to cover hundreds rather than the tens for which it is designed. Risks increase also in proportion to the number of food items offered, each of which has its built-in hazards and requirements for correct storage. Most hotels deny the use of left-overs, but even those with highest standards occasionally slip up in this area.

As the hectic habit of the Christmas bunfight seems destined to flourish despite the risks, the Health Department is trying to work out a programme which will assure safety to all consumers of smorgasbord.

Its "quality assurance" programme will consist of a system of voluntary internal checks, foolproof if carried out according to instructions. Following a disastrous attempt by the American FDA to enforce such a programme, there is no intention of making it compulsory, but it will be made available wherever it is required.

An important feature is that the programme can be modified to fit the individual peculiarities of any outfit. Another is the insistence on managerial responsibility for undertaking the checks, which will be complementary to the course in food hygiene now offered at most technical institutes. The checking system could, for example, mean a six-monthly critical evaluation of the whole kitchen structure in terms of food hygiene, with more frequent evaluations of cleaning procedures, temperature controls, dishwashers and so on.

A safe smorgasbord is possible, according to the Health Department. To ensure it, hotels have to buy raw materials which are known to be of good quality. The staff handling food must have a good knowledge of hygienic techniques, and an understanding of the temperatures and conditions which will inhibit bacterial growth.

Finally, it's up to the consumer to know the standards necessary, to complain where he sees fit, and to eschew rare roast beef of unknown origin.

JAMES COOK SMORGASBORD...on the menu again

Ferry godfather spoke too soon

THE Government's decision to launch its emergency airlift across Cook Strait last week should have been embarrassing for Transport Minister McLachlan.

Just a few days earlier, he had been fulsome in his praise of the performance of the Railways Department in ferrying record numbers of passengers and motor vehicles across the strait during the peak holiday season.

"The travelling public might not fully understand the complexity of the task involved in maintaining a smooth ferry service, but I feel sure they would wish me, on their behalf, to express appreciation for the efforts of all who contributed to the achievement of this fine record," McLachlan said when releasing the holiday figures: from December 17 to January 31 inclusive, the ferries had carried 204,303 passengers (5666 more than in the corresponding period the previous year), and had carried 39,669 passengers' vehicles (39,398 the previous year).

"The records set during this period will not easily be bettered," said the Minister. The figures reflected "a high degree of efficiency on the part of ferry crews and terminal staff".

Just seven days later, the emergency airlift was under way after ferry engineers had gone on strike. Air Force Andovers and Hercules were brought in to transport those who weren't lucky enough to be wanting transport when record efficiency levels by Railways crews were being achieved.

Wage earners blamed for sluggish economy

Economics Correspondent

WAGE and salary earners take note. Some economists are convinced that your recent pay increases have been too excessive and that they are the major cause of unemployment, slow growth and the likely further deterioration in the balance-of-payments deficit this year.

And you don't need to be told that many economists think large wage increases fuel inflation.

According to the Planning Council, "estimates of the extent to which wages and salaries will have risen during the year to March 1979 vary from 13½ per cent to 17 per cent. With output rising by only about 1 per cent during the period, labour costs per unit of output will have risen appreciably".

But the increase in pay may not seem so large to the wage and salary earner. Real disposable income (the purchasing power of income after tax) will probably rise by between 4 and 7 per cent.

The argument about how wage and salary changes influence the economy is complex.

Underlying the argument is the belief that by acting in their own interests, wage and salary earners do not necessarily enhance the national interest. In particular there are some economists who argue that the gap between real wages (the purchasing power of wages) and productivity is increasing. While real wages are growing, productivity (output per person) is falling.

It is difficult to separate cause and effect. Do increases in real wages directly hinder improvement in productivity? In the long run they do, according to some economists.

Kerry McDonald, director of the New Zealand Institute of Economic Research, addressed this issue at the 20th Annual Meeting of the institute last October. He found that "trends in the capital: labour ratio, trends in productivity, and the slower growth in company income than in salaries and wages indicates a significant reduction in the returns to capital and shareholder funds in the 1970s".

To get profits back to "normal" levels and to encourage growth related investment, McDonald recommends wage setting embodying the concept of a "main path" for wage and profit levels. Apparently, macroeconomists (those economists who study the entire economy) can determine a path for wage earners which is consistent with other macroeconomic goals and objectives and which results in increased productivity.

In its recent report, Planning Strategies, the Planning Council has taken up some of McDonald's arguments and added a few flourishes of its own.

Given New Zealand's current sluggish economic growth, the Planning Council suggests that the wage earner is holding back progress on the export front and, because export industries are not growing, adding to unemployment. The council says that "if New Zealand is to achieve the exports needed for full employment, it is just not on to have another year of rapid increases in pay while output is rising by only 2 or 3 per cent and the net incomes of farmers and others whose output is crucial for the export drive are being seriously eroded".

And after pointing the finger at wage and salary earners for undermining New Zealand's production of (exportable) goods and services which will give real purchasing power to their dollars, the council exhorts organised labour and private employers to find an acceptable solution to the problem.

"Both democracy and full employment will be under serious threat if these powerful interests continue to have little regard for the long run national consequences of their actions and their bargains."

If the Government, employers and unions wish to adopt procedures to ensure that wage and salary increases are consistent with the national interest, the Planning Council lists three issues which must be faced.

First, should the general wage order system be retained along with free collective bargaining?

Second, are pay arrangements in the public sector adequately achieving the goals of preserving fair relationships between the pay of employees in the public and private sector without undesirable ratchet effects?

Third, to what extent are statutory controls required over wages and salaries?

The debate about the relationship between wage and salary increases and other economic activity has serious implications, both for the individual earner and for the national interest.

To help inform public discussion about this issue, NBR has printed extracts from the speech by McDonald (pages 16, 17). Next week we will print comments on the speech by economists involved in industrial relations.

Employers' man on drawbacks of wage controls

by Colin James

GOVERNMENT-imposed incomes policies have been no solution to economic problems, says Employers Federation policy and planning coordinator Max Bradford.

While some have been quite successful in the short run, says Bradford, a former Treasury economist, "ultimately most incomes policies have merely delayed the time that more fundamental fiscal, monetary and exchange rate policy changes have had to be implemented".

His remarks, delivered in a paper to the science congress in Auckland last month and the result of ground-breaking and continuing economic research, are an interesting comment on the Prime Minister's latest moves on wage regulation.

The main drawback, as Bradford sees it, is that attempts to hold wages down — whether by employers in negotiations or the Government through regulation — have not had targets related directly enough to the needs of the "exposed sector" of the economy (the export and import-competing sector).

Thus, even under various periods of wage controls during this decade, he has found, wages have risen faster than the exposed sector can afford.

The result has been that "the capacity of industry in the exposed sector to finance investment is reduced, either from internally generated or loan funds".

"In the end this reacts against the wage earner: a lower rate of economic growth, falling productivity, a reduced ability to meet increased real (as opposed to money) wages and reduced employment opportunities," he says.

"Conversely, where labour prices are too low and profits rise so that the income distribution moves in favour of capital, pressures are generated to take real wage increases in the form of wage drift, productivity schemes and the like.

"In this situation both labour and capital have a vested interest in establishing what the major 'path' for wage increases can be and how that available increase is to be distributed between industries or occupations.

"Amongst some of the important considerations are: whether particular industries should be phased out because they are no longer competitive, technologically or socially relevant, or whatever; or whether particular labour skills are needed but are in short supply."

Bradford notes that the rhetoric surrounding incomes policies "more often than not...revolves around the need to reduce the rate of inflation itself without reference to what wage movements should be to preserve or enhance international competition."

And he says that under "free" wage bargaining — with its well-established relativities and the private-state-private tradesmen's ratchet which in effect automatically determines the basic rate increase for each year's round — little, if any emphasis is placed on the needs of the economy as a whole.

Thus, wage rates in the "exposed sector", the performance of which is critical to the health of the economy, are determined in the "sheltered sector" (the sector protected from foreign competition) on bases unrelated to the exposed sector's needs.

By adding the average annual growth in the real gross domestic product per labour force member to the average annual growth in prices received by the exposed sector, Bradford calculates that the wage "path" necessary to keep the sector in balance was 13 per cent a year for the years 1972-77.

In fact the wage movement for the sector was an average 15½ per cent a year, "2½ per cent a year more than a 'preservation-of-international-competitiveness' condition would indicate".

The pressure, Bradford concludes, fell on the exchange rate — which fell nearly 2 per cent a year on average during the period — and on increasing subsidies to the export sector which were in effect drained off to finance wage increases rather than improving the sector's profitability, productivity or growth potential.

At the same time, he calculates, in the sheltered sector wages (at 15½ per cent a year average) grew 12 per cent a year faster than productivity (3½ per cent). This 12 per cent gap compared closely with the 11.8 per cent average annual increase in the consumer's price index, that is, inflation, during the period.

"It seems," he argues, "that the policy objectives of recent Governments in New Zealand to increase the profitability and productivity of exporting have clearly been undermined by a growth in wage increase in excess of the appropriate wage path.

"Much of this can be attributed to the less-than-adequate productivity performance of the meat-processing industry, but all exposed sector industries suffered to a greater or lesser extent.

"It is unreasonable to expect that wage rates can be determined in the exposed sector, having regard to the institutional way in which wages are fixed.

MAX BRADFORD . . . "wages policy" would limit Government involvement.

"Nevertheless, it does seem that some recognition of these — and other — macroeconomic factors by both labour market partners and wage and salary earners at large is highly desirable."

Bradford's suggested "wages policy" would limit Government involvement to setting out the main economic parameters within which negotiators should operate (while retaining reserve powers when they go beyond the parameters).

The policy would "not imply holding wages for its (the policy's) own sake or even necessarily to force the rate of inflation down.

"Wages policy means ensuring that real wages grow as fast as the exposed sector allows in the long run."

It would also have to accept that the present rigidities and the relativity bias of the wage-setting system could not be changed quickly. Labour mobility between dying and growing sectors would therefore need to be encouraged by other methods than changes in market prices for labour.

The general principles of Bradford's proposed system draw on the Swedish experience where general guidelines for individual wage negotiations are laid down by the central union and employer organisations in consultation with the Government.

Bradford suggests that in April or May the economic outlook over the next 12 to 18 months should be outlined to the central organisations and an appropriate wage path defined which the economy would sustain.

This would be passed on to the individual negotiators and made public. Negotiations would be carried out according to the present system and should be closely monitored by all parties.

The negotiating parties themselves would be responsible for ensuring their agreements fell within the guidelines, but the Government would retain the right of influence or control when they did exceed the guidelines.

Bradford suggests also that more formalised use should be made of the Federation of Labour and the Employers Federation to resolve individual conflicts and the number of unions, employer groupings and awards and agreements should be reduced.

Concept soon to swing into production

CONCEPT VIDEO NZ LTD should soon be fully operational as a production unit, making television commercials in competition with TV One.

The building of a 1400 sq ft studio and other major work is some months from completion, but all decisions on the type of equipment to be used have been made.

Equipment is coming from the United States, Belgium and Britain, and an engineer from the Wellington-based company has visited the United States for instruction on its maintenance and operation.

General manager Mike Mune said costs in the capital-intensive industry would be "very high".

Stage one of the project — a mobile control room in a four-wheel drive vehicle — will be operational by late March. This outside studio will be equipped with two portable cameras, videotape recording facilities and vision-mixing equipment.

The main studio, due for completion a few months later, will have greater capabilities than any other production house in Australasia, said Mune.

MIKE MUNE . . . "greater capabilities."

It will include a three camera operation, a vision-switcher and full post-production facilities for 16mm and 35mm film.

Concept Video Ltd was set up in 1974 as a closed-circuit TV rental business by managing director Donn Lock, and grew to a full broadcast production business. Last December, INL announced it had acquired a major shareholding in the company and that with this backing the company would move into the TV advertising scene using the most up-to-date equipment.

Chairman of the newly-structured company is former TV One controller of sales and marketing, Ray Shaw.

NZIER director plots the trends in salaries, wages and profits

SALARIES, wages and profits are key elements in a sound economic policy. The issues they involve are contentious and complex.

This article focuses on recent trends in salaries and wages, profits, productivity and factor shares in the production process. Have rewards to labour outstripped productivity growth and thereby contributed to growing unemployment and low private sector investment levels?

The article has been extracted from the conclusions drawn by T K McDonald, director of the New Zealand Institute of Economic Research, in his address to the 20th annual general meeting of the institute.

SINCE the mid-1960s, and particularly in the 1970s, total salary and wage payments have increased faster than net output (gross domestic product or effective gross domestic product), in current and constant price terms. But the increasing tax bite from salaries and wages has meant a much slower growth in post-tax incomes, which followed the trend in effective GDP quite closely.

On a per-employee, constant price basis, salaries and wages after tax (employees' real disposable incomes) increased through the early 1960s, plateaued in the second half of the decade, and then rose strongly between 1969-70 and 1973-74 (17 per cent in four years). Since then they have steadily declined.

Forecasts show them 9 per cent below the 1973-74 level in 1977-78 but lifting slightly in 1978-79. But they still remain above the level of the 1960s and just above the 1970-71 level.

In contrast, per-employee constant price salaries and wages before tax rose much more quickly (at twice the after-tax rate through the 1970s). And again the divergence reflects taxation and the fiscal drag effect.

The growth profile was similar pre- and post-tax except that pre-tax salaries and wages fell only slightly in the mid-1970s before resuming a (forecast) growth trend.

Thus salaries and wages pre-tax (the nominal cost of labour to employers) have risen much faster than salaries and wages post-tax (the income of employees), while the difference (income tax payments by salary and wage earners) has risen four times as fast as the pre-tax salary and wage growth.

How do trends in real salaries and wages per employee, as a cost to employers or income to employees, compare with real productivity trends?

Taking changes in effective GDP (gross domestic product adjusted for the changes in the purchase power of exports) in constant prices per employee as the measure of total productivity, the results show constant price pre-tax salaries and wages per employee moving closely in line with total productivity growth through the 1960s. The divergence begins in 1971 and 1972, and varies thereafter. By 1977 salaries and wages were 12 per cent ahead of productivity and forecasts increase this divergence to 16 per cent by 1979. This is not evident in after-tax terms. After-tax, constant price salaries and wages per employee closely follow the trend in total productivity.

The rapid rise in salaries and wages per employee was offset to a considerable degree in the economy by productivity growth and higher product selling prices. However, the net impact is still a steady increase in the real labour cost to firms per unit of output, with an inverse impact on profits.

Growth in the rewards to labour exceeded total net output growth, although virtually all of this was lost in direct taxation.

The share of salaries and wages in net output for the whole economy rose from 47 to 49 per cent between 1960 and 1970 and to 56 per cent by 1976. When the Government sector is excluded the salaries and wages increase was virtually unchanged.

This economy-wide trend hides divergent sectoral trends. The real labour cost per unit of output in farming varied about a flat trend. In primary product processing it rose, as it did in services, though in both cases it fell in 1976 (the latest year available).

But in other manufacturing (other than primary product processing), which had the highest rate of salary and wage increase per employee, the trend was steadily downward from the early 1960s.

In all cases the real labour cost per unit of output rose significantly, although the rise was less, and occurred later, in the other manufacturing sector.

Over the period since the mid-sixties, company income (pre-tax profits) increased in line with net output. But, growth was faster in the 1960s and lagged in the 1970s.

In constant price terms, growth in company incomes peaked in 1973-74 and fell significantly by 1976-77.

The Reserve Bank's data show that for public companies, the ratio of pre-tax profits to total assets declined after the early 1970s, although this was offset in after-tax terms by the declining effective tax rate. Nevertheless, economy-wide data show the share of profits in net output falling from 36 to 33 per cent between 1960 and 1970 and to 29 per cent by 1976. Similar falls occurred in primary product processing and the service sector, but in other manufacturing the decline was much less, reflecting a steady fall in the share to taxation, in line with other public company data.

Given the rising share of salaries and wages in net output, and a falling share of profits, how did these trends relate to trends in the contributions of capital and labour to production?

The measurement of total productivity involves relating real output changes to changes in the volume of inputs (capital and labour), adjusted for their respective quality or productivity changes.

In theory, changes in total output can be directly attributed to changes in the volume and-or quality of capital or labour. In practice this is extremely difficult. Measuring the volumes of the two factors is not easy, and measuring quality differences is well nigh impossible.

As a compromise it is not implausible to say that the quality changes are the same for capital and labour, and to focus on volume trends.

For New Zealand there is no evidence of changes in the quality of capital and labour, and some uncertainty about estimates of the capital:labour ratio. Nevertheless it seems that there has been a steady rise in the ratio of capital to labour in production. B P Philpott estimates an increase of 17 per cent between 1960 and 1976, and forecasts a 30 per cent rise between 1970 and 1980.

A recent New Zealand Chamber of Commerce survey shows the ratio doubling in nominal terms, between 1972 and 1977.

Trends in the capital:labour ratio, trends in productivity, and the slower growth in company income than in salaries and wages, indicate a significant reduction in the returns to capital and shareholders' funds in the 1970s.

The divergence of salaries and wages and total productivity gains indicates an increasing "real wage overhang" (the gap between real wage growth and productivity).

The rapid rise in labour costs per employee, as well as the shortage of labour in some years, encouraged the higher capital:labour ratio (capital deepening). As the labour supply position eased while salaries and wages continued their rapid increase, more emphasis seems to have been given to productivity growth, especially in manufacturing.

The present low return to equity investment and reduced proprietorship ratio on the one hand makes the continuation of the capital deepening process questionable. On the other hand, for firms faced with sluggish demand, it may offer the only route to restoring adequate levels of real profitability, with adverse implications for employment prospects.

It is also important to recognise that the increased tax take from salaries and wages was associated with the Government's desire for activity in the economy, rather than a shift of activity from the private to public sector.

Because salary and wage earners did not accept an increased supply of public goods in lieu of higher money rewards as living standard betterment, private sector employers had to bear the cost of both the higher money incomes, and the provision of additional public goods (through increased taxation). The salary and wage recipient benefited both via higher money wages and the increased supply of public goods.

The argument in this article is of relevance to a number of important economic policy issues.

For example, it seems clear that what has become known as the real wage overhang, the increase in the cost of labour to firms in advance of labour's contribution to production, is a phenomenon present in New Zealand which has important implications for employment.

Recent Australian work has increased the evidence of the significance of excessive real wages for unemployment, although there is considerable dispute on its importance. A paper published by the Reserve Bank of Australia suggests that 40 per cent of Australia's unemployment is frictional (people shifting between jobs without abnormal delay), 15 per cent is due to depressed demand, and fully 45 per cent is explained by real wage rises and forced changes in wage relativities.

A study by the Australian Treasury, based on simulations of the Australian economy with the Australian Treasury Model, investigated what would happen to employment if the wage-productivity distortion was removed. It indicated a fall in unemployment in the first year of 67,000; in the next 97,000.

This suggests that the present policy myopia in New Zealand on the consequences of rapid salary and wage rises for business profitability and employment will have serious consequences for unemployment in future.

Unless offset by outward migration, population trends indicate a continued potential labour force growth. This growth will face a private sector trying to restore profitability via increased productivity in a slow or, for some, no growth environment, and a public sector with a very large deficit but under pressure to reduce taxes-charges. At the same time labour will be overpriced, in terms of its productivity, and in terms of the argument that excess supply (unemployed labour) reflects a selling price (wages) that is too high to clear the market.

The policy debate in Australia has focused on the real wage overhang and aggregate demand causes of unemployment and solutions.

In New Zealand there has been little debate on the issues surrounding unemployment; only advocacy by some of higher aggregate demand, while the real wage aspect has been ignored.

The aggregate demand approach envisages a generally-fiscal Keynesian stimulus to the economy, with accommodating monetary policy to expand activity and employment, given sluggish demand, low capacity utilisation and unemployed labour. In contrast, the real wage approach envisages an erosion of real wage levels to reduce the real cost of labour to firms, to allow more people to be profitably employed. It is not dependent on evidence of a real wage overhang but reflects the view that if there is unemployment, the price of labour is too high.

Reflecting views in Australia, it seems that a combination of these approaches is needed in a highly structured economy with numerous markets, for factors as well as products. But given this structuring, and New Zealand's vulnerability in terms of the balance of payments and structural bottlenecks, the aggregate stimulus approach is fraught with dangers. This, plus evidence of the real wage overhang, and the fact that the economy must be close, if not beyond, a reasonable level of aggregate stimulus already, encourages the balance of policy emphasis to be on reducing real wages. And such a policy should be structured to reflect the relative cost, supply and demand of labour in industries and sectors, and the longer-run objectives of economic policy.

In some areas of the economy, selective stimulus to demand may be needed, but given past trends in the capital:labour ratio it remains to be seen whether firms will choose to expand employment in preference to capital in response to higher real demand. The related question is whether taxpayers will be willing to accept a higher proportion of public goods in lieu of after-tax income to maintain, or possibly expand, public employment.

In New Zealand general and relativity adjustments to wages and salaries generally ensure that the average productivity gain in the market sector is reflected in salary and wage payments to market and non-market (public) sector employees. Rates of pay for the latter thus move ahead of the average productivity gain (properly measured) in the economy, while market sector employees receive their own average productivity gains, rather than these gains averaged over the whole labour force.

It must mean that the real cost to taxpayers of obtaining given non-market (public) service is steadily rising.

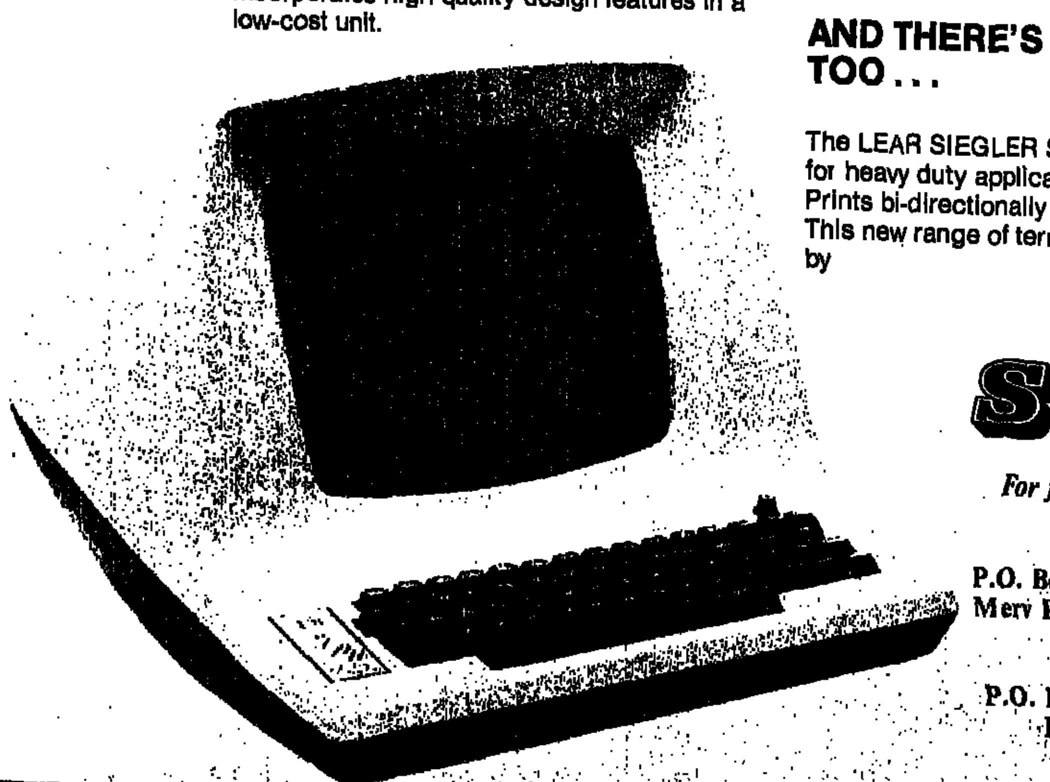
It is important that policy address this problem, desirably in the context of a more market-responsive approach to salary and wage setting so that if productivity, as it should be, is a basis for pay rate setting, the distribution of such gains are carefully allocated.

Rigidities in the labour market, especially by way of relativities, and the use of general wage adjustments, mean increasing insulation of wage rates from market forces, and less discretion for employers and employees to overcome jointly the anomalies rigidities impose. This will lead to increasing structural unemployment, arising in sectors where demand will not accommodate the increased labour cost, transmitted to the sector by relativity arrangements. It is desirable that labour shifts from low productivity to high productivity industry, but if those now being squeezed by rapid real salary and wage growth out of low productivity positions become unemployed, in other than a frictional sense, the job loss is costly, personally and socially.

There is much to applaud recommendations for wage setting in Sweden, embodying the concept of a "main path" for wage and profit levels, really allowing maximum long-run returns to labour in that it is associated with "normal" profits and a willingness to invest.

It is desirable that explicit recognition be given to this concept for wage, salary and profit policy in New Zealand.

T K McDONALD ... director, NZ Institute of Economic Research.



Sherries of Spain: no similarity to ours

by Frank Thorpy

A VISIT to Jerez, Spain, has convinced me that there is more to sherry than the wine which bears that label in New Zealand.

The grapes are the same, for most of the sherries in New Zealand are now made from the Palomino grape, the traditional sherry grape of Spain. But there, according to the Spanish, the similarity ends.

They point to the strictly limited zone which bears the name sherry in Spain the particular soil of the vineyards — Albariza, soil which is very chalky — the long hot rainless summers with plenty of rain in the winter months, the care and preparation in making the wine, the long slow maturation period of anything from five to 100 years or more, and the presence of the sherry flor.

WINEMANSHIP

The Palomino grapes are harvested when they are ripe, and then spread out on esparto grass mats to dry in the sun. This reduces the amount of moisture and hence increases the proportion of sugar. The period of drying may be from 12 to 24 hours. Nobilos experimented some years ago drying Riesling-Sylvaner grapes, and the result was a fine Auslese Riesling, unfortunately available only in limited quantities from the vineyard.

The must is fermented in small casks kept on ullage, that is, not completely filled and with the bung hole loosely corked. Fresh air is essential both around and in the casks. They are stored in large cathedral-like barns called bodegas, so that the air circulates and the temperature remains cool. The sherry flor appears in most casks about two months after the vintage. It appears spontaneously, from yeasts floating in the air, and helps materially to determine the character of the wine. Chemically its effect is to absorb any remaining traces of grape sugar, and it adds to the complexity and subtlety of the wine by increasing esters and aldehydes.

Sherry is a perverse wine; until it is fairly mature, no one can tell exactly how it will develop. There are innumerable styles of sherry and no two butts or casks will turn out exactly the same. If two butts of must pressed at the same time from the same grapes in the same vineyard are taken in the same lorry to the same bodega and stored side by side, it is likely that one will mature as a delicate light fino, while the other becomes a dark oloroso of the coarsest type. Some casks cannot be classified for 10 years or more.

Mature sherry falls into three basic classes: fino, palo cortado and oloroso. Each has various sub divisions, depending upon age and quality. All styles initially are dry as the fermentation is complete, and the whole of the grape sugar is used up. If a sweet sherry is required, it is obtained by blending at a later stage with specially prepared sweet wines, usually made from the Pedro Ximenez grape.

Fino, with the exception of certain styles of Manzanilla, which comes from an adjacent district, is the lightest and most delicate of all sherries. It has a delightfully fresh, slightly piercing and very clean bouquet, is completely dry and has natural acidity.

Palma is reserved for finos of highest quality with a particularly clean and delicate aroma.

When a fino grows old in cask, any of three things can happen — it may gain in body and develop a new depth of bouquet, becoming first a fino amontillado, then an amontillado; it may gradually grow stronger in flavour but retain its fino character, becoming that rarest and most wonderful of wines, an old fino; it may steadily become coarser and finish up either for blending or for distillation.

Amontillado, strictly speaking, is a fino which has become with age heavier, stronger, darker, with more depth and intensity of aroma and flavour. The word denotes nothing more than a medium sherry commercially. The characteristic bouquet of an amontillado has been described as "nutty". It is certainly deep and fresh and clean. Colour, according to age, varies from straw to amber to dark gold: alcoholic strength improves.

Palo cortado is a rare wine. It is similar to oloroso. It has a deep and subtle bouquet, more like amontillado, clean and crisp on the palate, and dark in colour.

Oloroso means "fragrant". Darker than the others, naturally dry, though with a slightly sweet aftertaste caused by glycerine in the fermentation, it has more vinosity than other styles.

Other names are also used for Spanish sherry. Amoroso is a suave velvety oloroso, somewhat sweet. Old East India used to be given to full bodied and sweetish old olorosos. It owes its name to the practice of sending wine as ballast on long voyages by sailing ships, as it was thought that crossing the equator improved quality. The real reason for the improvement was the oxygenation which the motion of the ship caused in the incompletely filled casks. It is now obsolete — or should be.

Pedro Xinemez is the best sweet wine. The grapes are picked ripe and dried in the sun for up to 20 days before being pressed. The wine is extremely sweet, dense and dark in colour, and is much appreciated as a dessert wine, and also for blending with drier sherries.

Fine old sherries bottled in Spain are usually not fortified, but wines sent overseas, including to England where more sherry is drunk, are fortified.

The spirit used is always a grape brandy spirit, as opposed to the raw alcohol derived from sugar and the lees used in New Zealand. The difference can be detected immediately. No added sugar is permitted in Spanish sherries.

Time to bridge Aust-NZ information gap

by Spiro Zavos

JUST before Christmas, I was chatting with an important member of the Australian High Commission in Wellington. The talk got around to Australia-New Zealand relations.

There was a problem, he said, but it was not at the official level. The relationship between the officials and the politicians ("don't believe too much of what you read about Mr Muldoon and Mr Fraser being at loggerheads") was sound, even when both sides agreed to differ. No, if there was a culprit, it was the news media, on both sides of the Tasman.

The only news about New Zealand in Australian newspapers concerned natural disasters. Similarly, New Zealand newspapers ran hardly anything about Australia, other than sports news.

"How many New Zealanders know who our premiers are, for instance?" he asked.

A few academics, I would guess, and even in the ivory towers of learning these knowledgeable gentlemen might be thin on the ground.

The Australian ignorance of New Zealand is even more deep-rooted.

Not long after I arrived in Sydney in late January, a number of people told me a story about a lady who rang up John Laws, the sexy-voiced and extremely popular talkback star of the 9-12 hours of the Sydney airwaves. The call took place not long after Bill Rowling had visited Sydney in a quest for votes.

"Every morning on the bus," the lady told Laws, "I see a notice advertising a meeting to be given by a Mr Bill Rowling. But the bus always pulls away before I can read anything more on the notice. Can you tell me who Mr Rowling is?"

"Mr Rowling is a man, my dear," said Laws, his voice dripping with honeyed cynicism.

"Thank you, Mr Laws," the lady gushingly replied.

There was a break for a second or two and then Laws finished off the conversation. "That lady hasn't a clue in the world who Bill Rowling is — and neither have I."

Everyone who thinks about this curious lack of information that exists between the two countries knows it is a bad thing, but like Mark Twain and the weather, no one does anything about it.

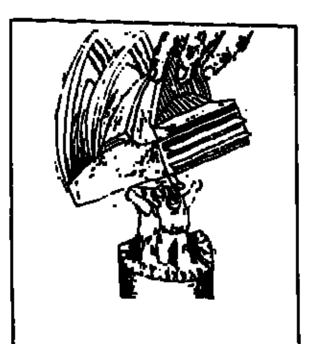
The Star group of newspapers has a man in Melbourne reporting about Australia for the organisation. There is a Press Association man, who has his hands full making sure the race results get through to New Zealand and little time for any real reporting. Broadcasting relies on stringers.

The picture is even bleaker at the Australian end. Several years ago, the ABC had a man in New Zealand. He has since been shifted back home.

None of the big publishing chains has a full-time man in New Zealand. Ian Templeton, of the Auckland Star, writes a reasonably regular column in The Bulletin. Some years ago, The Australian Financial Review used to use a great deal of material from New Zealand.

It isn't as if there is no real interest in informed circles about what is happening in both countries. New Zealand manufacturers need no encouragement to be interested in Australian politics and economic problems. After all, it is their number one (and only) market.

Australians are interested in New Zealand. Any number of people have asked me in the last few days about the outcome of the court battles over Hunua and Kapiti.



THE AUSTRALIANS

A top political journalist gave me a fascinating comparison between Prime Minister Muldoon and Tom Uren, the deputy leader of the Australian Labor Party.

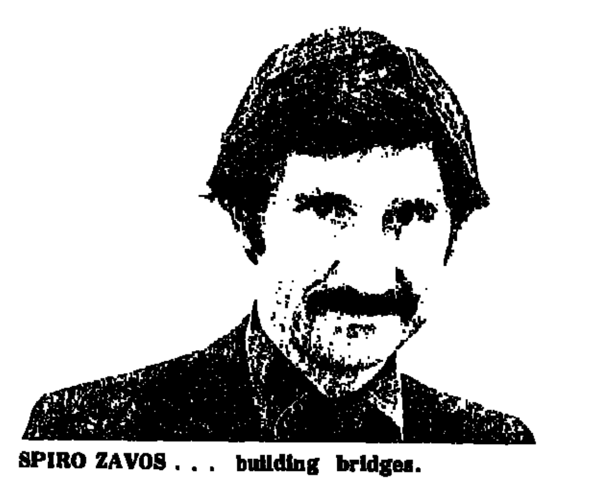
The interest is there, but somehow this has not been picked up by the media. Why?

Undoubtedly one of the reasons is that there has been friction between Australians and New Zealanders on a personal level for years. Australians find us too bland, too English, too retiring, too boring. We find Australians too grotesque, too larrikin, too pushy and too bloody-minded.

It is the difference between Colleen McCullough, the author of the Thorn Birds, and our Janet Frame, unquestionably one of the greatest living novelists. But while Janet Frame is content to work away, in Stratford, out of the limelight and hating it when it occasionally strikes her, McCullough roams the world selling her book, pushing it as hard as she can, drumming up media stories about her love life — anything that will create impact and get people interested in her or the book.

Although Thorn Birds is a long, true-romance type work, it has outsold nearly every other book except the Bible in the last three years.

We are two people separated by a common language and a small stretch of water. We should be closer together. Not as close as people like Bob Jones and Professor Harry Morton, both advocates of some sort of union, but closer than we are.



SPIRO ZAVOS . . . building bridges.

After all, Sydney is the third-largest New Zealand city, a fact noticed by Rowling and not, strangely enough, by the normally more politically acute National Party. Perhaps the party was showing the normal New Zealand under-reaction to things Australian.

Building bridges isn't the most popular thing to do these days. But there is nothing better to cover short patches of water. And so this occasional letter from Australia has the modest ambition of bringing what is happening in Australia today to life for New Zealand readers. A sort of verbal bridge between the two countries.

Drive-in dilemma to be reconsidered

by Colin James

DRIVE-in cinemas start another round of the political circus later this month when the Film Trade Board is due to consider the question again in the light of a new proposal masterminded by Barry Everard.

Everard has joined with Hauraki Enterprises Ltd and Trans Holdings Ltd in a complexly financed operation to cash in on what Internal Affairs Minister Allan Highet believes is a rising tide of public demand for drive-ins.

But the Film Trade Board is unlikely to be deflected from its thumbs-down advice to Highet in March, last year. If anything, among the trade members of the board, feeling against drive-ins has hardened.

Ministerial advice to the two independent board members, chairman D J Sullivan, SM, and deputy chairman Peter Luxford, to heed public opinion is not likely to be sufficient to turn the tide.

Distributors fear fewer film bookings and exhibitors more competition if drive-ins start.

The issue is not dead, however. Though Highet is bound to consult the trade board, he is not bound to take their advice. He is keeping open the option of taking a proposal to the (increasingly competition-minded) Government caucus.

Economic thinking

LETTERS

MR PERKINS'S letter (NBR January 24), left me lost, and no doubt many others. As far as I can gather, his sentiments would have been more clearly expressed in the following quotations from Macleod's Elements of Banking, published by Longman's more than 100 years ago. The page references are for the 1894 edition.

1. "It may be said that all commercial crises arise out of the excessive creation of that species of Property called CREDIT. What are the due limits of Credit, is a question of the most momentous consequence . . ." (p.79).

2. "It is UNEXTINGUISHED CREDIT which produces those terrible monetary cataclysms which scatter ruin and desolation among nations. It is by the excessive creation of Credit that over-production is brought about, which causes those terrible catastrophes called Commercial Crises: and the inability of 'Credit-shops to extinguish the Credit they have created — commonly called the failures of Banks — is the cause of the most terrible social calamities of modern times." (p.110).

3. "Commercial Credit does not rest upon so solid a basis as the certainty of being in possession of money, for then it would be as safe as money itself, and losses would be unknown. It is based upon the expectation of receiving money at a certain time." (p.111).

4. "The System of Credit is divided into two great branches, Commercial Credit and Banking Credit. In the first, merchants buy commodities by means of Credit, payable at a certain time after date. The second is where bankers buy these Commercial Debts, or Credits, by creating Credits of their own payable on demand. Commercial Credit is always created terminable at a fixed time, and is always intended to be extinguished at that time. Banking Credit is usually created payable on demand, and must be capable of being paid, if demanded. But it is not intended to be extinguished: on the contrary it is created with the hope and expectation that it will not be extinguished, but that it will continue in existence and do duty as Money. There is no necessity that it ever should be extinguished. It may be transferred from one account to another in the same bank, and from one bank to another to the end of time. It is perfectly possible that much of the Banking Credit which exists at the present day, may have been created by the very first banks founded in this country, and there is no necessary reason why it should not continue to the end of time. Money is a very expensive machine to purchase and keep up: but Banking Credits cost nothing to create, and they may be absolutely indestructible." (p.120).

5. "It is the sudden failure of confidence and extinction of Credit which produces what is called in commercial language a 'pressure on the money market', and which causes money to be 'tight'. When money is said to be scarce, it does not mean that there is a smaller quantity of money actually in existence than before: there may be more, or there may be less in the country: no one can tell what the amount of money in existence is: but a great amount of CREDIT, which serves as a substitute, and was an equivalent for Money, is either destroyed altogether, or is suddenly struck with paralysis, as it were, and deprived of its negotiable power, and, therefore, practically useless." (p.130).

6. "It is therefore not the scarcity of money, but the extinction of confidence, which produces a pressure on the money market; and an examination of all the great commercial crises in this country, will show that they have always been preceded and produced by a destruction of Credit, which has usually been brought about by extravagant overtrading." (p.132).

7. "It has frequently been observed that all great inventions have an equalising tendency: the invention of gunpowder equalised the condition of the poorest foot soldier and the wealthiest knight, and it destroyed the supremacy of the knights: the invention of printing opened up the paths of knowledge to the poorest as well as to the rich, and destroyed the supremacy of wealth in the acquisition of science: the invention of steam and railroads has equalised the means of locomotion to the humble and to the wealthy; so the invention of Credit has destroyed the supremacy of Money, and has provided the means for the most humble to place his foot on the ladder of opulence. It is a matter of common observation that nothing is so difficult as the first step to wealth: that many men could get on if they could only make a beginning. Now Credit supplies the means of attaining that first step to all. Credit is a mighty power, and no doubt, like other great engines, is liable to be abused. but it is entitled to take rank with gunpowder, printing, and steam, among the marvels of human ingenuity; and it has been the chief cause of the magnitude of modern commerce." (p.143).

C T Reid,
Papatoetoe.

Punitive damages

IN your issue of December 13, 1978, you published an article in your Insurance column on punitive damages. In it you referred to the Products Liability Insurance Scheme promoted by this company and mentioned that the consortium excludes punitive damages from the protection.

This in fact was the original intention; however, since that date the decision has been reviewed and, in line with the majority of local companies on the US market, the protection provides cover for punitive damages for claims made in those states which do not specifically prevent insurance of these damages.

The action of Ford's insurers apparently goes deeper than the punitive damages question, as Ford now has been indicted in the State of Indiana on criminal charges arising out of this case.

Perhaps you would be good enough to make reference to this change in cover as soon as possible in order that any possibility of your previous article being misleading is avoided.

P D Jameson
The New Zealand
Insurance Group.

Retail revenue running out?

AUCKLAND'S two dailies — the Auckland Star and the New Zealand Herald — are being threatened with a loss of a huge slice of their retail advertising revenue.

Disappointed with what they see as excessive and arbitrary advertising rates, a significant number of major retailers are seeking cheaper advertising alternatives.

Five new large-circulation throwaway papers will blanket the greater Auckland area in the next two months offering the retail advertiser readership numbers rivalling those of the Herald but at cut-rate prices.

Both Auckland dailies rely heavily on retail advertising revenue, but the loss of revenue will probably fall most heavily on the Star.

Both papers have also been losing staff to the new publications.

The move away from the dailies began with closeted meetings of some of the city's largest retailers looking for cheaper advertising. These meetings resulted in a deal with Business News Media, which also publishes the Howick and Pakuranga Times to produce a 20-page, 250,000-circulation giveaway.

The paper will be called Real Value. The advertisers have contracted to supply ads for six months.

Advertisers which already have signed up are Foodtown, Hugh Wright Ltd, McKenzies, George Courts, Rendells, Smith Brown and Maple, Levine and Co and Martin Storkline.

It is understood that these retailers will withdraw the bulk of their advertising from the Auckland Star. The Herald, with its wider circulation, is not expected to be so seriously affected by the new publication.

The retailers involved will be advertising products that do not directly compete with one another, according to some sources.

The paper will be launched on March 1 taking the form of a bargain hunter's guide. The paper will carry no editorial content.

Also in March, the giant Woolworths chain (now merged with L D Nathan) will withdraw all its retail advertising from the dailies and go it alone with two giveaway householders aimed at its 750,000 customers.

Woolworths has been dissatisfied with the dailies' retail advertising rates, and with the Newspaper Publishers Association's refusal to pay its advertising agent (Colenso) a 20 per cent commission on retail ads.

NPA papers pay agencies a 20 per cent commission on national advertising but not on retail ads.

Radio and TV pay the 20 per cent commission on all agency-placed advertising retail or national.

A Woolworths spokesman estimated that the cost per customer of producing the householder was 0.6 cents cheaper than newspaper advertisements.

Radio Pacific managing director Gordon Dryden is behind two separate publishing ventures, both of which threaten to draw off advertising from the dailies.

On April 1, Radio Pacific will launch its 32-page, 243,000 circulation throwaway. This paper will contain 20 pages of ads and 12 pages of editorial copy.

Working in close conjunction with Radio Pacific, the paper will promote the radio station, and the station the paper.

Dryden said the paper might run a story containing information essential to answering a quiz programme question on Radio Pacific, for example.

He said the paper would first be given a four week trial run.

Dryden has been wooing

ADMARK

journalistic staff away from Auckland's dailies to run his papers and radio station further straining relations between Radio Pacific and the dailies.

Dryden recently resigned from the board of Vidcom, a TV production unit owned by New Zealand Newspapers, which also owns the Auckland Star.

Radio Pacific programme director and freelance journalist Gordon McLauchlan is unlikely to write as much for the NZ Herald as in the past.

Radio Pacific sportscaster Tim Bickerstaff has also been busy setting up four sports papers to be linked with Radio Pacific.

Nucleus to this deal is the 24-page, 24,000 circulation, County Sport distributed in the South Auckland counties.

This paper is owned by Merv Codlin.

Bickerstaff has been negotiating with Codlin to set up a holding company to manage County Sport plus three additional sports papers.

This holding company would have a 51 per cent controlling interest held by Codlin, and a 49 per cent interest held by Radio Pacific.

Codlin said he wanted three-to-six-month advertising contracts for retail ads before committing himself to the deal.

If sufficient advertising support is forthcoming — and Codlin said the initial response has been overwhelming — three more sports papers will be established. These will be Southern Sport, based in Otahuhu, with a 43,000 circulation, Shores Sport, based on the North Shore with a circulation of 43,500, and Western Sport, with a 40,000 circulation.

Codlin said he had three new editors waiting in the wings.

Bickerstaff said these papers would comprise 60 per cent advertisements and 40 per cent editorial. Five per cent of the advertising space would be reserved for cross promotion with Radio Pacific, he said.

Bickerstaff explained: "Newspapers are not allowed to own radio stations, but there is no law against a radio station owning newspapers."

Bickerstaff said the papers would cover the largely neglected area of county sporting events.

The immediate advantages of all these new throwaways to the retailer is first of all the cut-rate advertising rates. In the case of a localised suburban advertiser, the large circulation dailies force him to pay for ads that go to readers well outside his area from which he draws his customers.

The average readership per copy of a throwaway is about three people.

The obvious danger for the advertiser is that the throwaway might be exactly that — a paper which makes a fast trip from the post box to the rubbish bin without being read.

But the publisher can largely overcome this danger by providing good editorial coverage, promotions, or coupons to be clipped by the bargain hunter.

Cook discovers London

TOM COOK, who as former chief executive of Vidcom was a well-known and popular figure in the Auckland advertising world, is now flying the video banner in London. With partners Jessica Skippon and Ian Abrahams, he has set up an "independent television production and facilities consultancy" called Skippon Video Associates Ltd.

The company describes itself as a video consulting company offering production and creative direction for commercials, programmes and special projects for broadcast and non-broadcast television communications.

Cook seeks to bridge the gap between agencies and the wide range of highly diversified facilities companies. With more than six million pounds invested in video equipment in London, outside of broadcasting, he sees a good potential for development in this field.

Australia moves to nullify US anti-trust laws

Melbourne Correspondent

A RECENT declaration by a United States court that four Australian mining companies are in default in a multi-million dollar anti-trust case has prompted the Australian Government to prepare legislation rendering any particular foreign judgment unenforceable within Australia by order of the Attorney-General.

The proposed legislation is a counter to what the Australian Government sees as increasingly vigorous attempts by the United States to extend the application of its anti-trust laws to Australia.

The Australian Attorney-General, Senator Durack, argues that it is against the national interest for Australian companies to be crippled by the multi-million dollar damages often entailed in anti-trust cases. Four Australian mining companies — Conzinc Riotinto, Mary Kathleen Uranium, Pancontinental Mining and Queensland Mines — are among nine foreign companies accused by Westinghouse Corporation of the United States of forming a cartel to raise uranium prices.

A United States court has now granted Westinghouse a default judgment against the nine foreign companies for an amount to be determined later by the court, but the Australian companies claim they have no United States assets, and their non-appearance in the court was on legal advice that the United States judgment would not be enforceable within Australia.

This legal strategy was a confident anticipation of the Australian Government's proposed legislation to protect Australian companies from United States anti-trust decisions. Though the defendants claim to have no direct United States assets, one company, Conzinc Riotinto, has a number of partly-owned United States subsidiaries: American Zinc Co., Pasco Holdings, Pacific Zinc Co., and Pacific Smelting Co. Another defendant

THE AUSTRALIANS

company, Pancontinental Mining, is in partnership with Getty Oil of the United States.

Through the proposed legislation of the Australian Government, these Australian companies, and others found to be in breach of United States anti-trust laws, may avoid within Australia the massive damages imposed by United States courts, but only at the cost of jeopardising their future business in the United States.

Officials of the Australian Attorney-General's office in Canberra conceded that such companies would be well advised to stay clear of dealings in the United States.

Australian Government Ministers say the proposed legislation is not an attempt to provide Australian companies with total protection in Australia from all applications of United States anti-trust laws. But an order granting the non-enforcement of a United States court decision will be made by the Australian Attorney-General, and can be disallowed in Australia only by either House of Parliament.

In dealing with the Australian exporters of uranium, coal, iron ore, bauxite, and other raw materials, how is the American purchaser to know in advance whether or not a United States court judgment in his favour will be enforced in Australian courts? No American utility could forecast which Australian mining company will be granted exemption by the Australian Attorney-General from any United States anti-trust decision. If it contracts with an Australian company lacking direct assets in the United States, then the American utility may, or may not, have the protection of its country's anti-trust laws, according to the inclination of Australia's Attorney-General.

For this reason, an element of risk has now entered the United States market's dealings with Australian mining companies, some of which will undoubtedly be afforded protection by the Australian Attorney-General in the near future, but only at the expense of all Australian mineral exporters to the United States, who could experience greater difficulty in future selling there.

No minister in the Australian Government has yet explained how this result is compatible with Australia's national interest. Neither, on their part, are Australian mining companies free from the arbitrary interference of the Australian Attorney-General into their affairs.

SENATOR DURACK ... court decision.

Given that two rival companies are both found on separate occasions liable for massive damages by a United States court, will it be held by the Attorney-General to be in the national interest that a United States plaintiff be allowed to recover multi-million dollar damages in one case, but not the other?

Ambassador given Colombia job

NEW ZEALAND'S Ambassador in Peru, resident in Lima, Gordon Parkinson, is to also represent New Zealand in Colombia. The Government of Colombia proposes to accredit its Ambassador to Japan, resident in Tokyo, to represent it in New Zealand.

The appointment extends New Zealand's representation in South America at a time when there is growing concern about our failure to set up diplomatic posts in Africa. This failure both hampers trading opportunities with Africa, but also compounds the difficulty of having our sports policy understood there.

Parkinson's appointment follows the announcement last year that the Governments of Colombia and New Zealand had agreed on the establishment of diplomatic relations between the two countries at ambassadorial level, with non-resident Ambassadors.

According to the latest Official Yearbook, New Zealand exports to Colombia totalled $1,252,000 for the year ended June 1977, while imports were valued at $159,000.

For the year ended July 1978, exports of milk, cream, crude vegetable matter, machinery and parts, and measuring apparatus totalled $2,955,895.

New Zealand's biggest import from Colombia last year was coffee, valued at $57,711. Total imports dropped to $66,906.

Audience-wooing role seen for Arts Council

by Bute Hewes

DURING the election campaign in his Remuera constituency, Allan Highet was asked a long question which might have been condensed to: "Are we, the general public, getting the best possible value for money spent by the Arts Council?"

Highet, a keen and knowledgeable Minister for the Arts, sprang to the defence of the council with a reply which said, in essence: "Yes, it's always done a first-class job."

But it was a valid question which deserves more examination than was possible at an election meeting. Is the Arts Council really serving the needs of the widest possible public?

Founded in 1963, the council's function was neatly summed up in the phrase "to foster the arts". At that time, certainly, they needed all the fostering they could get.

Money was seen as the answer to everything. The Government gave the Arts Council an annual allocation, and some of it was used to send painters, actors, musicians, singers and dancers overseas to learn their crafts.

Grants were given to promising artists to enable them to get established on a full-time basis, rather than working by day on other jobs and by night on their arts.

Subsidies were given to theatres, like Wellington's Downstage and Auckland's Mercury, to enable them to get started. It was a pump-priming operation, very necessary in the mid-1960s.

The interpretation placed on that phrase "to foster the arts" was that artists themselves needed fostering, and this was undoubtedly right at the time.

Thanks to the excellent groundwork done by the Arts Council in developing professional artistic talents, the arts now exist in New Zealand. But the task is not over yet.

The thinking behind all those grants and subsidies was that in a country with a small, thinly-spread population, the total audience was not enough to make the arts self-supporting, so a cash injection was needed to compensate for this.

It did not seem to occur to many people that another need existed — to stimulate and foster greater public appreciation and enjoyment of the arts, to build up an audience.

Without an audience, the arts cannot flourish. People have to be enticed into theatre-going habits, into the discovery of enjoyment in art galleries and symphony concerts.

That too is part of the responsibility of the Arts Council and it is one on which more emphasis is now needed. The council itself has to practice the art of gentle persuasion.

So far, it has been too busy fostering the artists, perhaps merely hoping that an audience would grow automatically. That has happened, certainly, but not to the extent necessary.

Theatres still do not attract enough paying patrons. Art galleries are never crowded. Symphony orchestras are struggling to survive. Opera died for lack of public support, and ballet nearly went with it.

Gradually, it has come to be recognised that encouraging good artists is not enough. Good artistic administration and promotion must be developed too.

The Arts Council is not a promotional body in the sense of producing and presenting performances. It does arrange art exhibitions from time to time and send them travelling round New Zealand galleries, but that is as far as it can go.

This is probably right, and there is no quarrel with the council on that score. Few people would welcome Soviet-style arts in New Zealand, with actors, musicians, singers and dancers as salaried public servants.

But there is a positive role the council could, and perhaps should, play as a co-ordinator and publicist for the arts, giving them practical assistance in ways other than subsidies.

A few years ago, a courageous attempt was made to develop a modest professional ballet company in

ALLAN HIGHET ... keen.

Auckland. It struggled for a brief time, then collapsed.

Lack of money was only part of the reason. Equally important was that, although its artistic direction was all anyone could wish, lack of skilled professional management and audience-wooing promotion was a major handicap.

The Arts Council subsidised it for a time, then abruptly withdrew that support when it became evident that the young enterprise was not as administratively secure as it should be.

Here was a case where a practical helping hand from the council's own staff, nursing along the management side, might have made all the difference between success and failure. But the council did not lift a finger, let alone a hand, to help.

There are other examples like that. In Highet's own Remuera constituency, the demise of the little Central Theatre, for similar reasons, has not been forgotten.

Expert management is usually not available to small arts enterprises — and most are very small — because they simply cannot afford it. That is where the Arts Council could step in, offering the services of its own staff as management advisers, aiming always at stimulating public interest and building an audience.

The present council staff is too slender to take on such work. It has always been deliberate policy to keep the staff small, so that nobody can accuse the council of diverting funds into its own administration and away from grants.

But the time has come to reconsider that, with a view to developing the council as a servicing organisation rather than one primarily concerned with distributing hard cash.

If only it could entice more New Zealanders to use their theatres, concert halls and art galleries, that would be money well spent for public enjoyment.

Perpetual subsidies to compensate the arts for lack of an audience are no longer enough by themselves. They pay for empty theatre and concert seats, when the real aim should be to fill those seats.

That, perhaps, is the role the Arts Council should now assume with a deliberate campaign to attract more people to enjoy the arts. That way, it would bring the greatest possible benefits to the widest possible public — good value for money indeed.